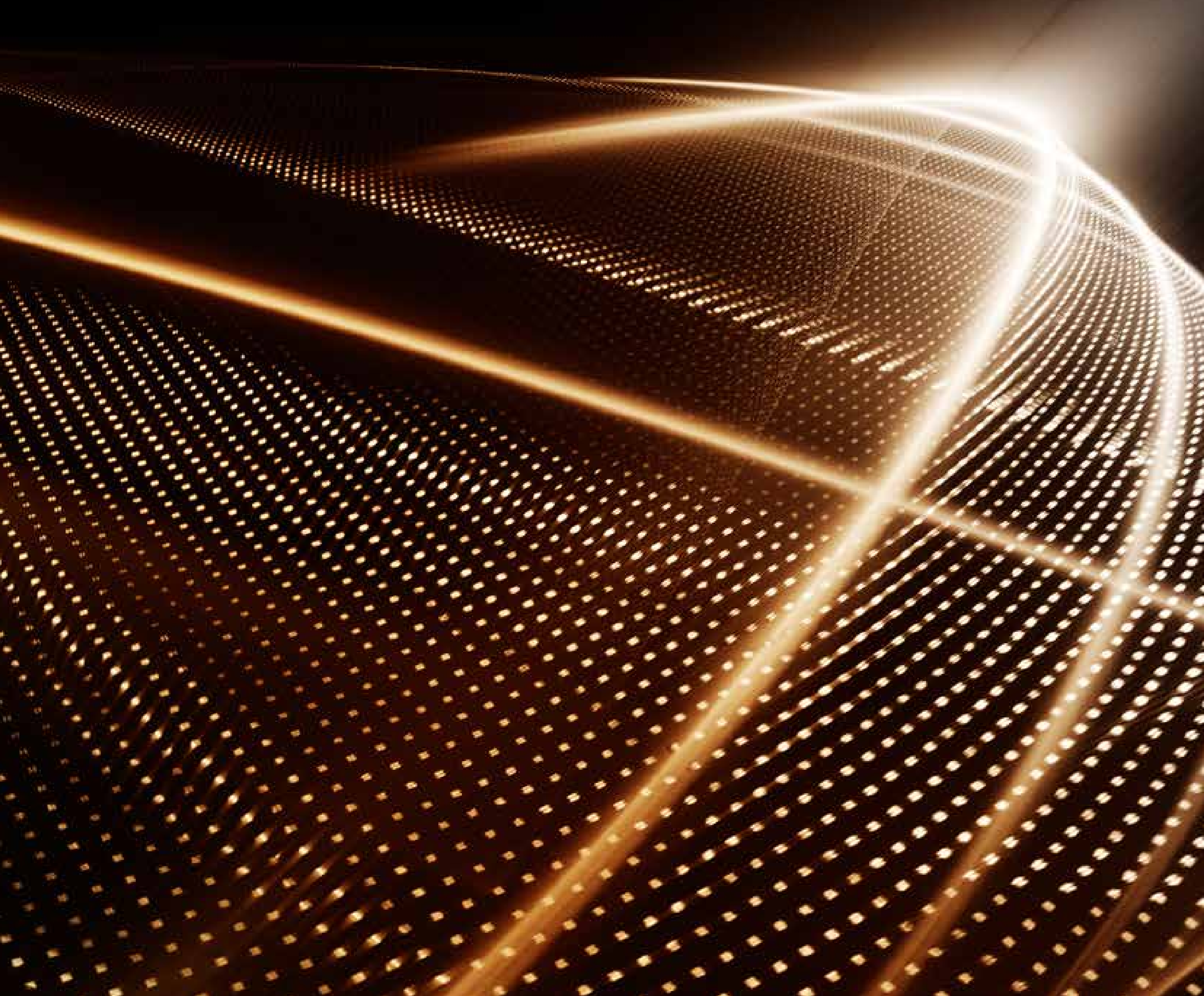
2018 ANNUAL REPORT

SUNSTONE METALS LIMITED

SUNSTONE METALS

Sunstone is the fabled mineral the Vikings used to navigate as they explored the world beyond Scandinavia.



CORPORATE DIRECTORY

DIRECTORS

Graham Ascough
Non-Executive Chairman

Malcolm Norris
CEO & Managing Director

Don Hyma
Non-Executive Director

Stephen Stroud
Non-Executive Director

COMPANY SECRETARY

Gavin Leicht

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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Milton Qld 4064
Australia

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ACN

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SECURITIES EXCHANGE LISTING

Sunstone Metals Limited shares are listed on the Australian Securities Exchange

Ordinary fully paid shares
ASX Code: STM

Listed Options
ASX Code: STMO

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Investor Enquiries

1300 850 505

AUDITOR

BDO Audit Pty Ltd

Level 10/12 Creek Street
Brisbane Qld 4000

BANK

National Australia Bank Limited

Level 23, 100 Creek Street
Brisbane QLD 4000

SOLICITORS

O'Loughlins Lawyers

Level 2, 99 Frome Street
Adelaide SA 5000

TABLE OF CONTENTS

SUNSTONE METALS

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

On behalf of the Board of Directors, it is my pleasure to present the 2018 Annual Report for Sunstone Metals Limited ('Sunstone' or 'Company'), formerly Avalon Minerals Limited, and to thank all shareholders for your continued support of Sunstone.

Sunstone made significant steps during the year towards a major discovery at the Bramaderos gold-copper project in southern Ecuador, with exciting results generated from trenching, rock chip and soil sampling, as well as 3-D modelling of heli-magnetic data. The work undertaken has defined large targets at the Bramaderos Main and Porotillo prospects as part of an overall 10 gold-copper porphyry targets and 10 gold-silver epithermal targets identified, of which two are associated with larger underlying porphyry targets.

Very strong gold and copper results were received from the trenching program at the Limon gold-copper porphyry target and this presents as a very exciting prospect. The initial drilling program will focus on Bramaderos Main, Limon and the West Zone targets, with the environmental permit to allow commencement of drilling expected to be received shortly.

Major mining companies such as BHP, Codelco, Newcrest and FMG are now active in Ecuador and many companies are expanding their presence. We believe that Sunstone is still the only junior mining company listed on the ASX to provide direct exposure to this exciting region.

On the back of this move into Ecuador, the Company changed its name from Avalon Minerals Limited to Sunstone Metals Limited during the year. A sunstone is a fabled mineral that the Vikings used to navigate as they explored the world beyond Scandinavia, therefore we consider that Sunstone Metals is the ideal name to carry the Company on its journey to explore the world beyond Scandinavia.

Subsequent to the end of the Financial Year, the Company signed a Letter of Intent (LOI) for the sale of the Viscaria Copper Project to a Swedish listed exploration company, Copperstone Resources AB (publ). The non-binding terms of the LOI values Viscaria at over A$40 million at the date of signing and, if the transaction is completed, Sunstone will become the largest shareholder of Copperstone hence retaining exposure to the Viscaria Copper Project as well as to Copperstone's existing copper exploration projects in Sweden.

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

The Company continues to receive strong support from its shareholders and during the year completed two over-subscribed placements as well as a Share Purchase Plan to existing shareholders. The placements resulted in a high proportion of institutional interest compared with previous capital raisings and attracted new sophisticated investors.

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

Yours sincerely

Graham Ascough
Chairman, Sunstone Metals Limited

14 August 2018

"Sunstone is still the only junior mining company listed on the ASX to provide direct exposure to Ecuador."

OPERATING REVIEW

Sunstone Metals Limited ("Sunstone" or "Company"), formerly Avalon Minerals Limited, is an exploration and mineral development company, focussed on creating value for shareholders from the Bramaderos Gold-Copper Project in Ecuador, the Viscaria Copper Project in Sweden and the Southern Finland Gold Project.

VALUE FOR SHAREHOLDERS WILL BE CREATED BY:

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

Realising the value of the Viscaria Copper Project for the benefit of shareholders, while retaining exposure to Viscaria and the other exploration projects in Sweden of the potential purchaser;

Exploration success **at Sunstone's other projects in Finland and Sweden; and**

Investigating potential opportunities **to monetise or involve third parties in progressing the development of other assets.**

Sunstone has a strong technical and operational team, which has significantly enhanced the quality and financial viability of its Projects. The quality of Sunstone's technical and operational team is one of the key strengths of the company.

Sunstone's vision is to become a significant copper and gold focussed exploration and development company. The Bramaderos Gold-Copper Project is considered to be highly prospective for the discovery of large gold-copper systems; the Viscaria Copper Project is subject to a potential sale under a recently signed non-binding Letter of Intent, whereby Sunstone will receive cash and shares in the potential purchaser, retaining significant exposure to the Viscaria Copper Project as well as the other copper exploration projects in Sweden of the potential purchaser, of which Sunstone will become the largest shareholder; while the Southern Finland Gold Project is at an earlier stage of exploration with highly encouraging drilling results.

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

COMPANY HIGHLIGHTS

2017-2018

Share price and market capitalisation increased from 1.5 cents per share and $9.8 million respectively at 30 June 2017 to 3.8 cents per share and $43.4 million at 30 June 2018

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

Strong drilling targets identified at Bramaderos

Progression of Environmental and Social Impact Assessment ('ESIA') at Viscaria and stakeholder engagement

Letter of Intent signed subsequent to the end of the financial year for the potential sale of Viscaria, valuing the project in excess of $40 million at date of signing

Successful placements and Share Purchase Plan to raise $8.1 million (232.9 million shares at $0.014 per share; and 255.8 million shares at $0.019 per share)

"Sunstone Metals is in the business of maximising shareholder return through discovery and development."

BRAMADEROS GOLD-COPPER PROJECT

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

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

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

Multiple new targets have been defined based on the integration of new detailed heli-magnetic and radiometric survey results, trenching, geological mapping and soil sampling results, and existing targets have been strengthened. The defined areas of interest comprise 10 targets for porphyry gold-copper and an additional 10 targets for epithermal gold-silver (Figures 1 and 2).

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

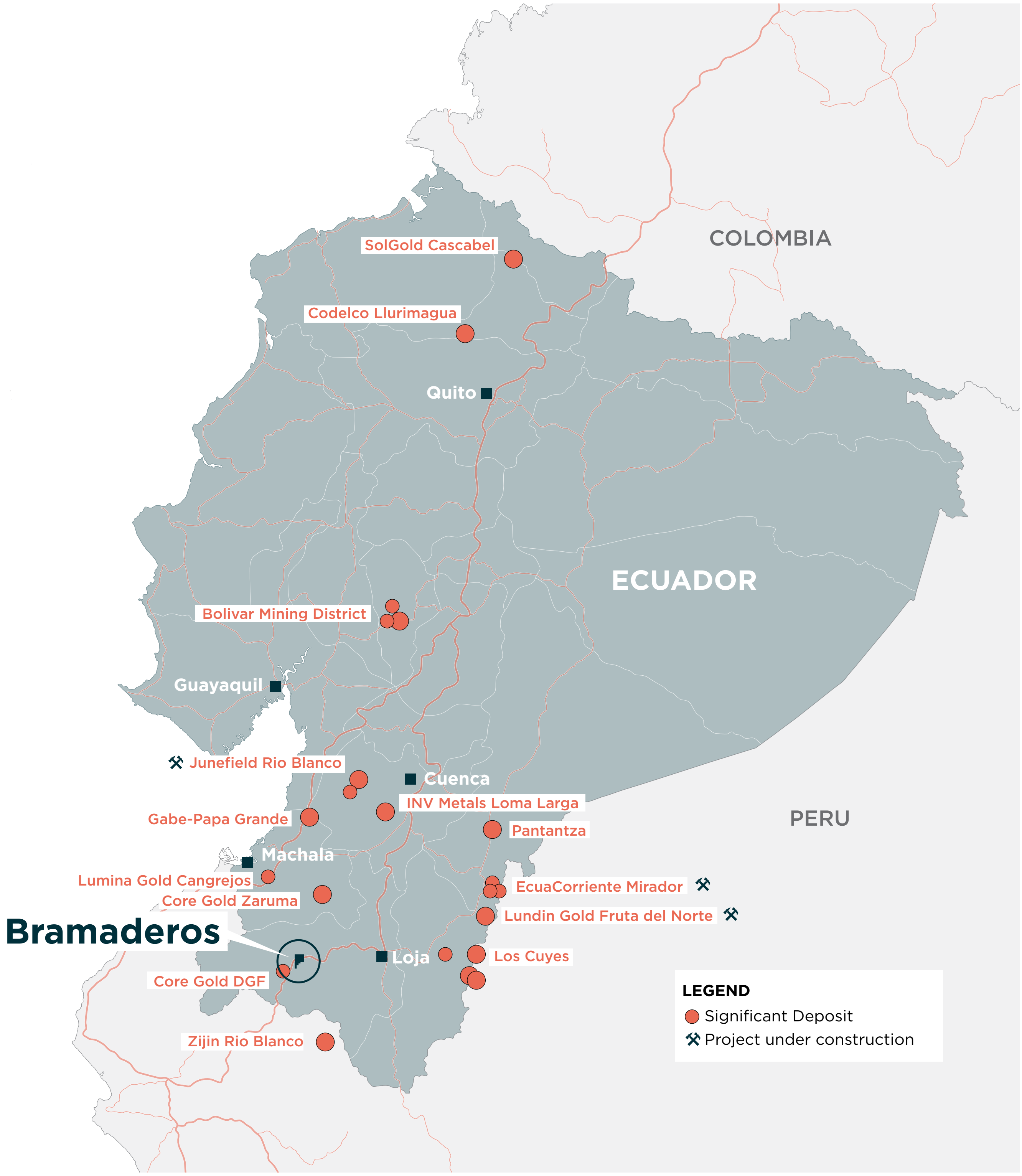
- 615m at 0.52g/t gold and 0.11% copper from trench BM14, with cumulative intervals from the trench that are >0.3g/t gold and >10m length totalling 397m at 0.69g/t gold and 0.14% copper;
- 140.6m at 0.57g/t gold and 0.15% copper, including 68.2m at 0.80g/t gold and 0.18% copper from trench BM02; and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

Historical drilling results at Bramaderos Main include wide intervals such as 260m at 0.6g/t gold and 0.14% copper, and 404.30m at 0.41g/t gold, 0.10% copper (from 3.66m depth), including 187m at 0.50g/t gold, 0.10% copper (from 131m depth). The historic drill holes further reinforce the potential for significant vertical extent to the mineralised zones intersected by trenching at surface, adds significant strike extent, and demonstrates excellent lateral continuity in grade.

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

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

Trench LM-01 at Limon intersected 97.6m grading 0.71g/t gold and 0.23% copper, including 65.0m at 0.93g/t gold and 0.31% copper (Figure 4). Laterally, the trench sampled strongly altered rocks which overprint the underlying porphyry gold-copper system (refer to ASX Announcement dated 29 May 2018). Peak gold and copper assays are 1.94m at 1.20g/t gold and 1.25% copper and 2.06m at 1.74g/t gold and 0.41% copper from separate samples.



COLOMBIA
SolGold Cascabel
Codelco Llurimagua
Quito
ECUADOR
Bolivar Mining District
Guayaquil
Junefield Rio Blanco
Cuenca
INV Metals Loma Larga
Gabe-Papa Grande
Pantantza
PERU
Machala
Lumina Gold Cangrejos
Core Gold Zaruma
EcuaCorriente Mirador
Lundin Gold Fruta del Norte
Bramaderos
Loja
Los Cuyes
Core Gold DGF
Zijin Rio Blanco
LEGEND
Significant Deposit
Project under construction

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

Trenching results at the West Zone breccia include a zone of 42m at 3.7g/t gold. Importantly the West Zone target, which has strong surface evidence of a well mineralised gold epithermal system, also has an associated larger geophysical porphyry target.

The magnetic modelling has also enhanced the Porotillo target, located 1.5km south of Bramaderos Main (Figures 1 and 2), by providing context for areas of significant gold-in-soil anomalies, and historical drilling which it appears may have been drilled mostly on the periphery of the magnetic target zone. The 3-D modelling has defined a large magnetic body, which transitions near surface into a cluster of magnetic bodies, with a vertical extent exceeding 1.7km and coinciding at surface with anomalous gold and copper soil sampling results. This magnetic pattern is seen in other porphyry systems.

This work has also defined a widespread and continuous area of alteration covering over 17 km^2 which coalesces around, and envelopes, many of these target areas. Some of the porphyry and epithermal targets overlap, which is to be expected from a technical perspective.

The application for an environmental licence, which includes an Environmental Impact Assessment (EIA), to facilitate drilling at Bramaderos is currently being reviewed by the Ministry of Environment. Importantly, a permit to extract water from local sources for use in the drilling program has been approved by the relevant government office. Drilling is ready to commence on the granting of the Environmental Licence.

Subsequent to the end of the financial year, the Ecuadorian Ministry of Oil, Mining and Energy (MERNNR) announced a new initiative to allow for 'scout (reconnaissance) drilling' during the Initial Exploration Phase of an Exploration Concession. The initiative allows for drilling from up to 40 platforms within an Exploration Concession. Sunstone is awaiting further details on the implementation of this initiative.

Regular meetings with stakeholders are being held to keep them informed of progress on current exploration activities and on the drill permitting process.

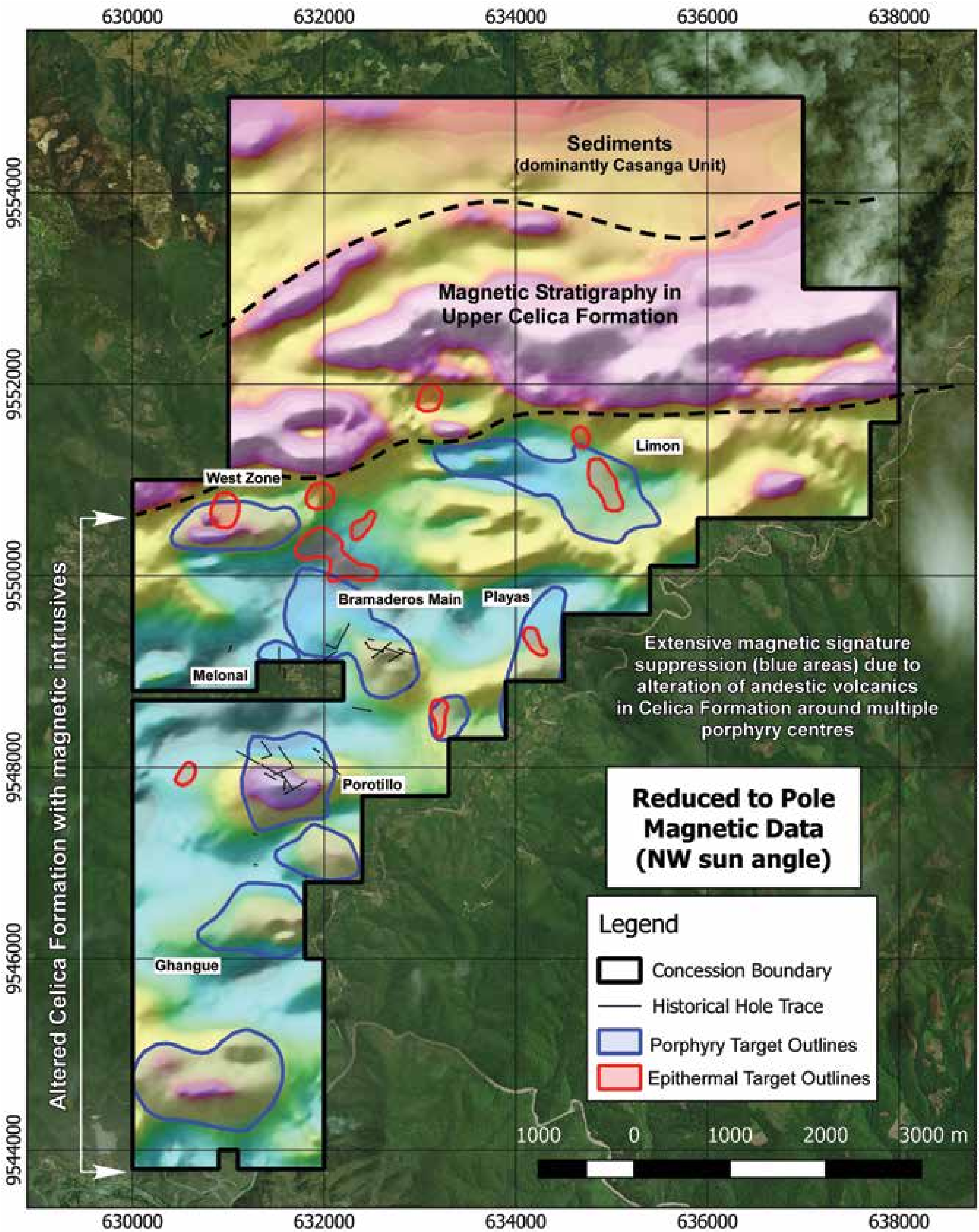


Figure 1: Bramaderos project showing the location of the gold-copper porphyry targets, and the West Zone epithermal gold system. The background image is detailed heli-magnetics on a Satellite image.

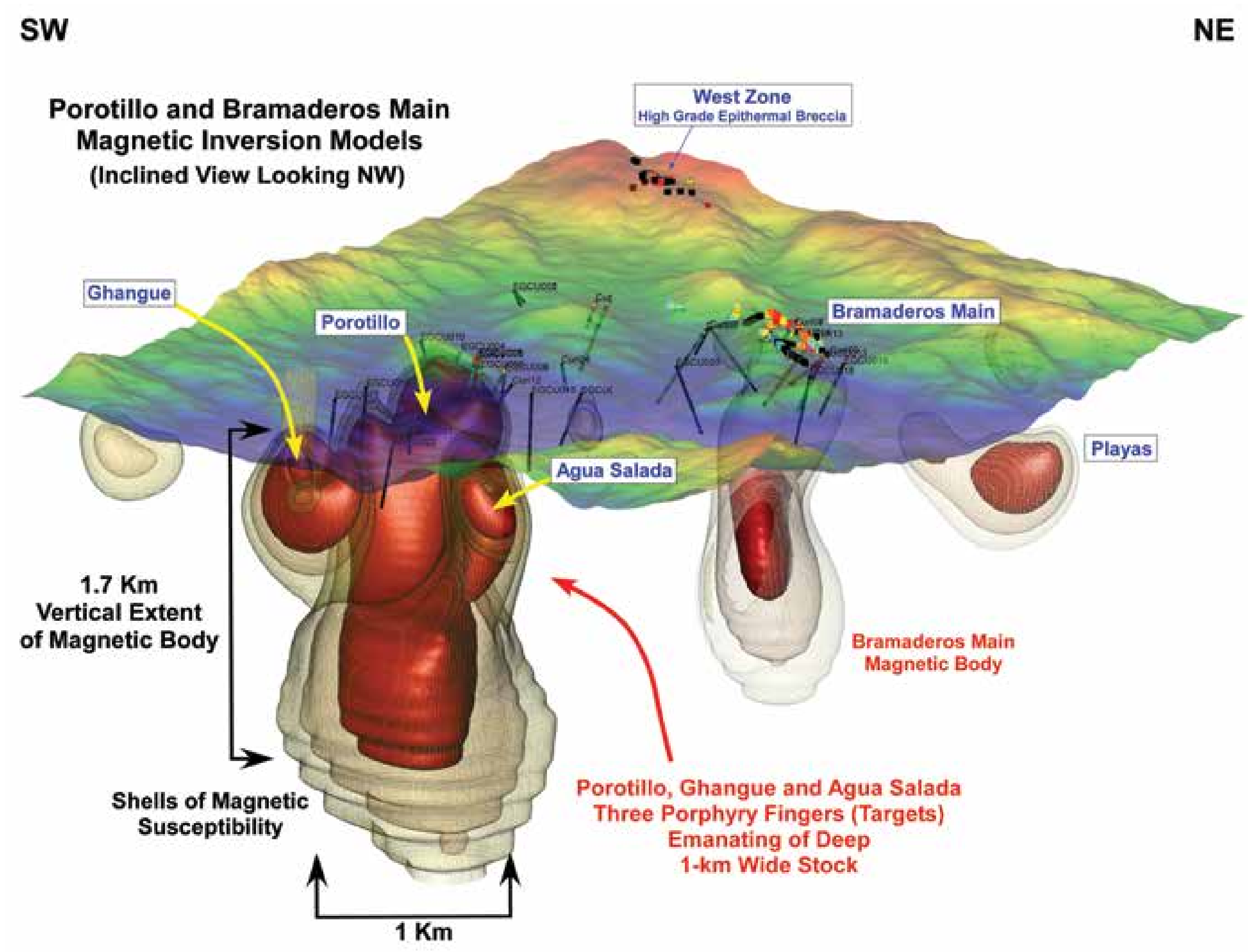


Figure 2: 3-D view looking towards the NW (towards West Zone) of the Bramaderos Main and Porotillo targets. Gold in trenches shown at Bramaderos Main and West Zone.

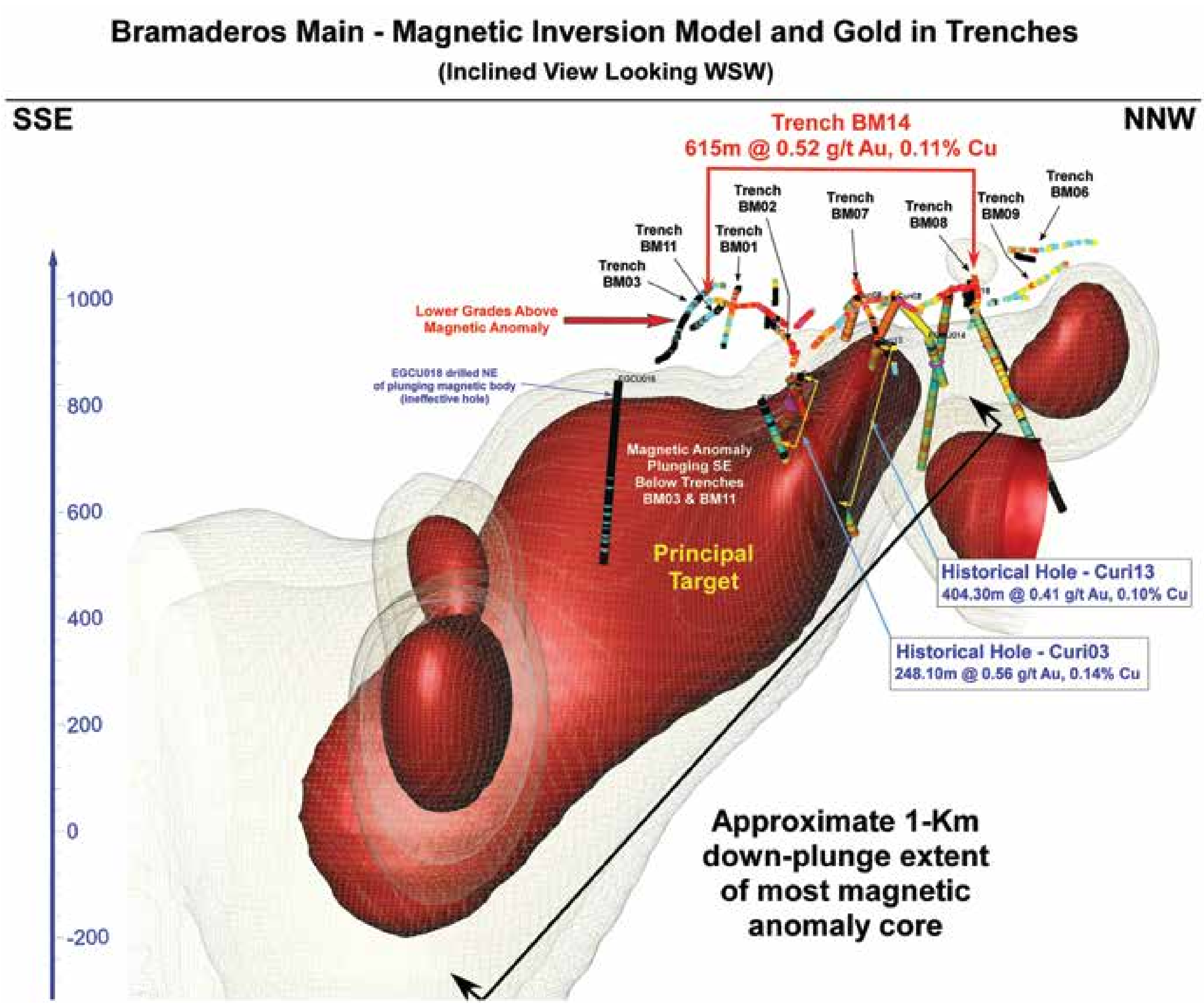


Figure 3: Interpretation of 3-D modelled heli-magnetics, looking towards the west-southwest, and showing a SE plunging magnetic body at Bramaderos Main with a vertical extent of at least 1km.

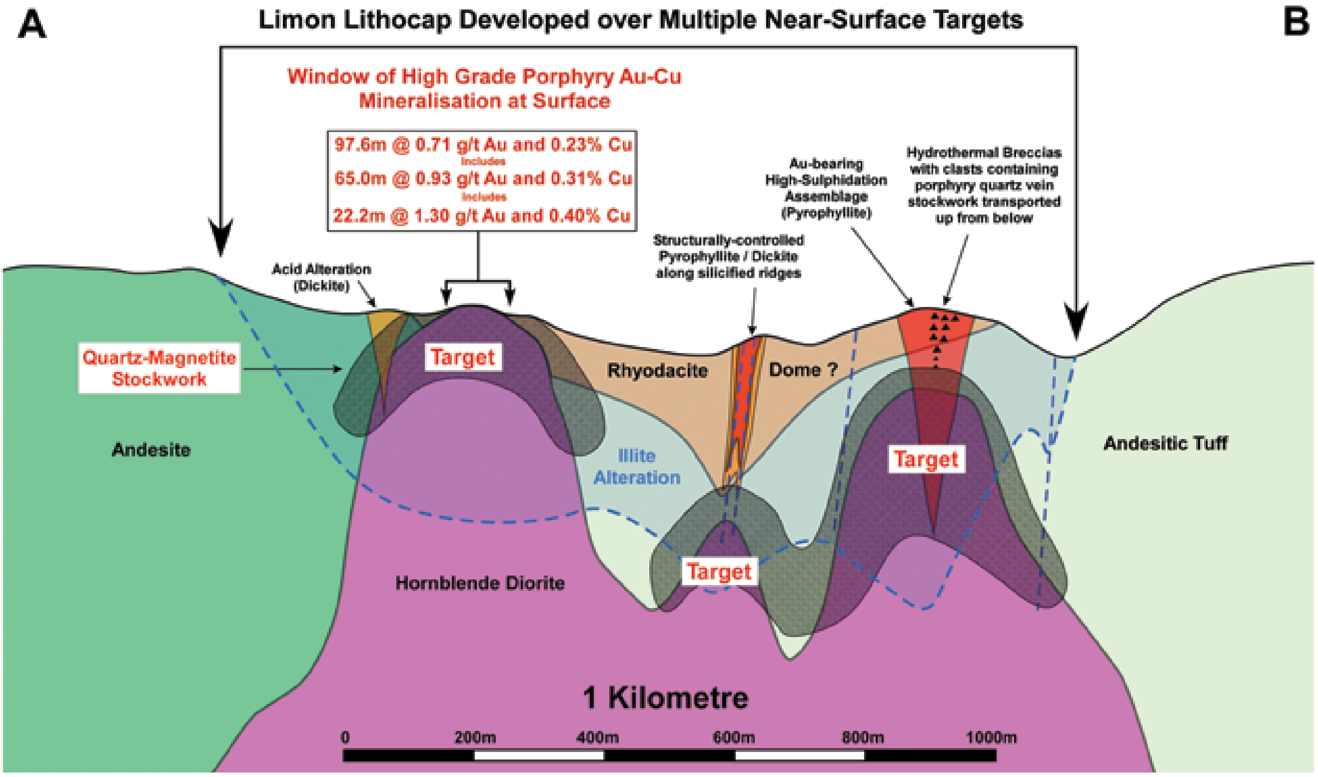
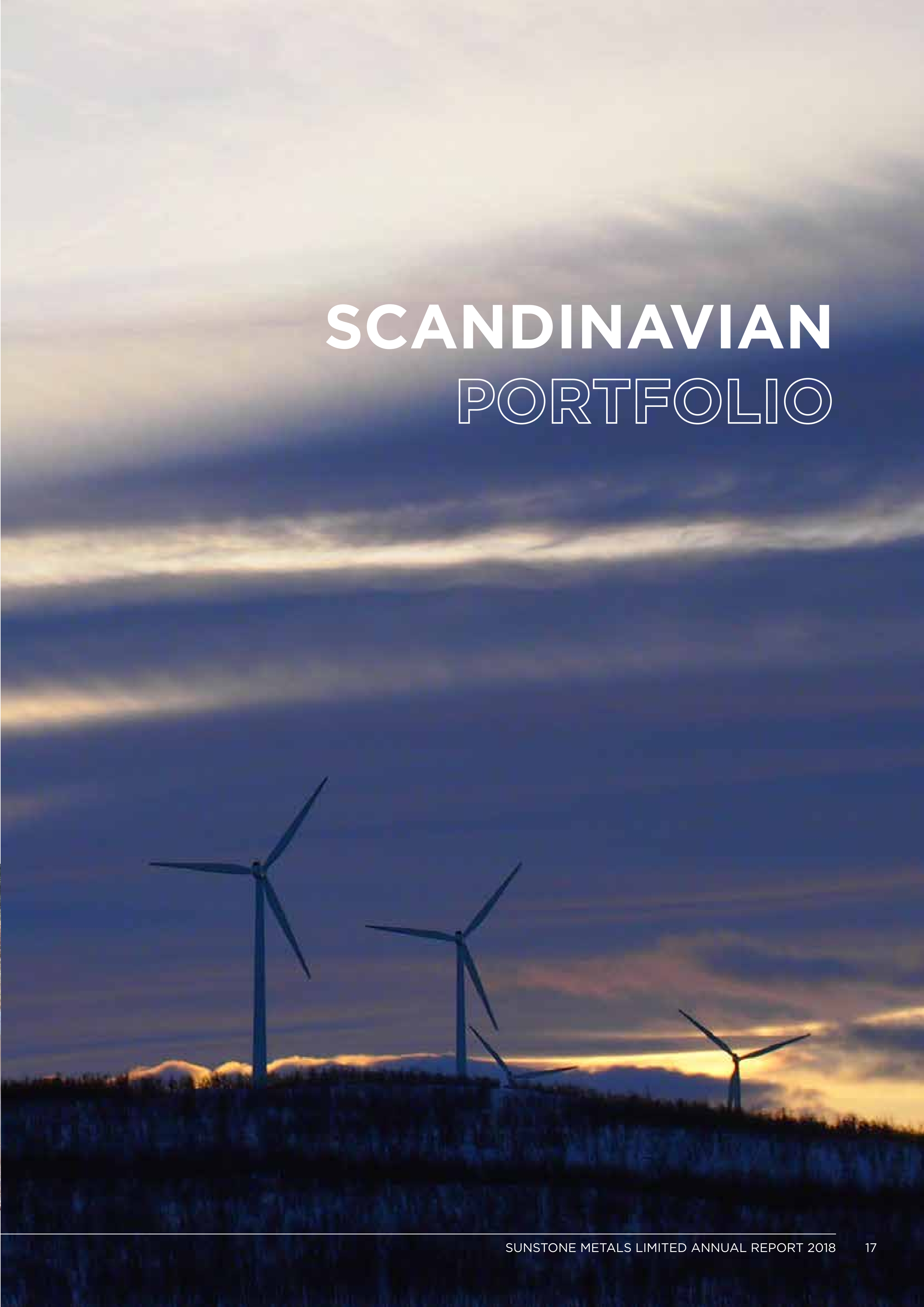


Figure 4: Long-section (oriented WNW-ESE) through the Limon porphyry Au-Cu prospect, illustrating key geological features that suggest an extensive underlying mineralised porphyry gold-copper system below the leached clay-altered lithocap (illite). Strongly mineralised diorite outcrops as a window through an overlying and altered rhyodacite body.



SCANDINAVIAN PORTFOLIO

VISCARIA COPPER PROJECT

Sunstone's Viscaria Copper Project is a high quality copper project, with excellent exploration upside, holding significant value in a strengthening copper price environment.

The Viscaria Copper Project is located in northern Sweden, 1,200km north of Stockholm, approximately 5km west of the mining town of Kiruna. It is close to major infrastructure, including the E10 highway, the Luleå-Kiruna-Narvik railway, and the established hydro-power grid. Kiruna is home to the world's largest underground iron ore mine called Kiirunavaara that is operated by LKAB (owned by the Swedish Government). Kiirunavaara has been in production since 1899 and has produced more than a billion tons of magnetite ore.

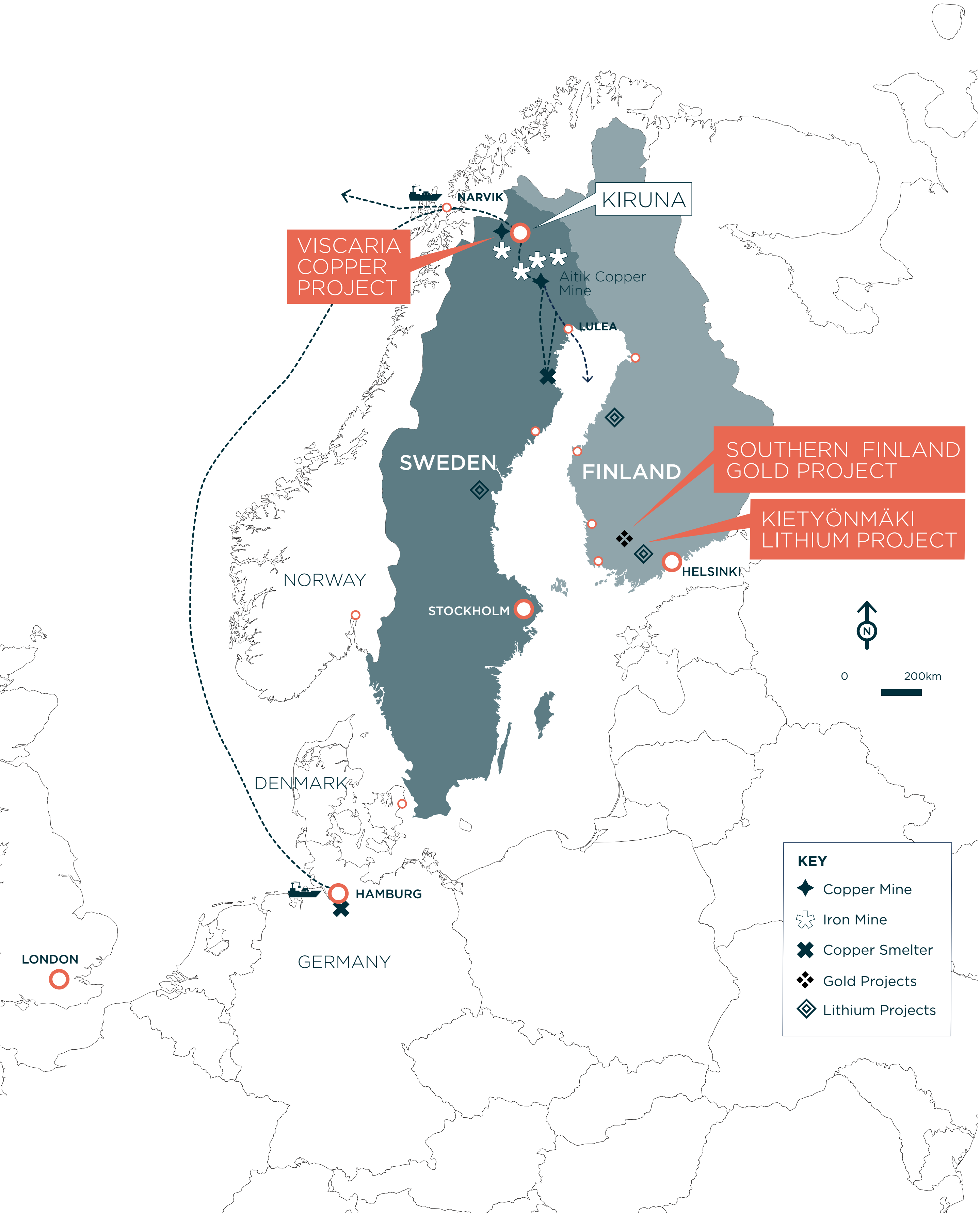
Historically, the A Zone deposit at the Viscaria Copper Project produced 12.5Mt of ore at 2.3% copper. Sunstone's development plans envisage open pit development of the A and B Zone deposits, and open pit and underground development of the D Zone deposit. The Viscaria Copper Project has an estimated global resource of 52.4 million tonnes of copper mineralisation at 1.2% copper, containing 608,900 tonnes of copper (refer to the Resources Statement on page 22).

Subsequent to the end of the financial year, the Company signed a non-binding Letter of Intent (LOI) regarding the potential sale of the Viscaria Copper Project to a Swedish copper exploration company, Copperstone Resources AB (publ)("Copperstone"), which is listed on NASDAQ First North (Stockholm).

Under the terms of the LOI, announced 9 August 2018, Sunstone will receive upon closing of the transaction cash of 40 million Swedish Kronor (MSEK) equal to approximately $6 million and 160 million shares in Copperstone, valued at approximately $25 million. In addition, further consideration of 20 MSEK cash, approximately $3 million, and 46 million shares in Copperstone, valued at approximately $7 million, will be received upon receipt of an environmental permit for the Viscaria Copper Project. The total value of the consideration for the proposed transaction at the date of signing the LOI is approximately $41 million, noting that this value may change due to share price movements of Copperstone and exchange rates between Australian Dollars and Swedish Kronor.

Following completion of the transaction, which is conditional upon a number of factors including formal agreement and shareholder approval, it is expected that Sunstone will potentially hold in excess of 30% of the shares in Copperstone, and thus retain significant exposure to Viscaria as well as to Copperstone's existing copper exploration projects in Sweden, with potential synergies across the projects.

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


KIRUNA
VISCARIA COPPER PROJECT
NARVIK
Aitik Copper Mine
LULEA
SWEDEN
FINLAND
SOUTHERN FINLAND GOLD PROJECT
KIETYÖNMÄKI LITHIUM PROJECT
HELSINKI
NORWAY
STOCKHOLM
N
0
200km
DENMARK
HAMBURG
LONDON
GERMANY
KEY
Copper Mine
Iron Mine
Copper Smelter
Gold Projects
Lithium Projects

SOUTHERN FINLAND GOLD PORTFOLIO

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

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

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

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

Historical data have also shown additional areas of gold mineralisation to the southeast where rock chip samples have returned up to 6.5g/t gold, and to the northwest with rock chip assays up to 4.7g/t gold. Current surface mapping and rock chip sampling is focussed on assessing this larger 3.5km long structural zone.

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

SOUTHERN FINLAND LITHIUM PORTFOLIO

Sunstone's subsidiary Scandian Metals Pty Ltd (Scandian) holds an 80% interest in the lithium rights within claim areas that include the Kietyönmäki lithium occurrence which was discovered by the Finnish Geological Survey (GTK) in the mid-1980's. Scandian also holds a portfolio of other, 100% owned, exploration permits in Scandinavia considered prospective for lithium.

Subsequent to the end of the financial year Sunstone issued 600,000 Sunstone shares in consideration for the sale/transfer to Sunstone of the recipients' 20% minority interest in Scandian, in addition to Sunstone agreeing to transfer the Ladum Project tenements in Sweden to the recipients.

There was no significant field activity during the year.

VISCARIA
MINERAL RESOURCE

The Viscaria Copper Project is divided into three deposits: A Zone, B Zone and D Zone. A Zone is a copper deposit that was mined by Outokumpu OYJ between 1983 and 1997. Development consisted of underground mining utilising sub-level stoping methods. A total of 12.5Mt of ore with an average diluted grade of 2.3% copper was produced during this time. The A Zone mineralisation is interpreted as being a Besshi-style Volcanogenic Massive Sulphide (VMS) deposit.

B Zone is interpreted to be a second VMS lens adjacent to the A Zone mineralisation. Some material was mined from one level of B Zone during the Outokumpu period with access via a development drive from the A Zone underground development.

D Zone is a copper and iron deposit and although directly adjacent to A Zone and B Zone, has a different mineralisation style. It has previously been interpreted as an IOCG style deposit, or a VMS replacement deposit. D Zone has not been mined.

The established JORC 2012 compliant Mineral Resource Estimates for the Viscaria Project are shown in Table 1. There has been no change to the Mineral Resource Estimates from the 2017 Annual Report.

Table 1: Currently Defined Mineral Resource for Copper reported on the Viscaria Project

Resource Name	Classification	Tonnes (t)	Cu Grade (%)	Cu Metal (t)
A Zone	Measured	14,439,000	1.7	240,000
	Indicated	4,690,000	1.2	57,200
	Inferred	2,480,000	1.0	25,500
	Subtotal	21,609,000	1.5	322,700
B Zone	Measured	123,000	1.3	1,600
	Indicated	4,118,000	0.7	29,700
	Inferred	15,410,000	0.8	118,700
	Subtotal	19,651,000	0.8	149,000
D Zone	Indicated	10,360,000	1.21	125,000
	Inferred	780,000	1.56	12,200
	Subtotal	11,140,000	1.23	137,200
Overall Cu	Total	52,400,000	1.2	608,900

MINERAL RESOURCE ESTIMATION GOVERNANCE STATEMENT

All Mineral Resource estimates reported by Sunstone Metals Limited are prepared by independent, qualified mining industry professionals and in accordance with the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code) 2012 Edition. Competent Persons named by the Company are Members or Fellows of the Australian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists and qualify as Competent Persons as defined in the JORC Code.

The Competent Persons have reviewed Sunstone's sampling and Quality Control and Quality Assurance (QA/QC) practices to ensure samples are representative and unbiased; and that assay results are obtained with the appropriate level of confidence. Sunstone Metals Limited also produces internal Mineral Resource estimates synchronously with, but independent of, the Mineral Resource estimates calculated by the qualified mining industry professionals as an audit of the external result.

Cut-off grades applied to the Mineral Resources are 0.2% copper for the open pit resource and 0.9% copper for the underground resource at D Zone, and 0.4% copper for A Zone and B Zone.

The table above sets out Mineral Resources for 2018, with no changes from 2017.

COMPETENT PERSONS STATEMENT

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

The information in this report that relates to the D Zone Mineral Resources are based on the information compiled by Chris Grove who is a Member of the Australasian Institute of Mining and Metallurgy and is a full time employee of Measured Group Pty Ltd ("Measured Group"). Measured Group are an independent mining consultancy who have been engaged by Sunstone Metals Limited to perform geological consulting on a fee for service basis. Mr Grove has sufficient experience that is relevant to the style of mineralisation being considered and to the activity being undertaken to qualify as a competent person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Grove consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the A Zone and B Zone Mineral Resources are based on the information compiled by Dr Bielin Shi who is a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of The Australian Institute of Geoscientists. Dr Bielin Shi was, at the time of compiling the Mineral Resources Estimate, a full time employee of CSA Global Pty Ltd (CSA). CSA are an independent mining consultancy who had been engaged by Sunstone Metals Limited to perform geological consulting on a fee for service basis. Dr Bielin Shi has sufficient experience that is relevant to the style of mineralisation being considered and to the activity being undertaken to qualify as a competent person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Shi consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

TENEMENT SCHEDULE

GOLD-COPPER TENEMENTS – ECUADOR

Tenement Holder	Tenement Name	Location	Status	Sunstone Ownership
La Plata Minerales S.A.	Bramaderos[1]	Loja, Ecuador	Granted	0%

COPPER TENEMENTS - SWEDEN

Tenement Holder	Tenement Name	Location	Status	Sunstone Ownership
Avalon Minerals Viscaria AB	Viscaria No 1	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 101	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 107	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria No 112	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria K No 3	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria K No 4	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria K No 7[2]	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Nihka East	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Goddevarri	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Viscaria East	Norrbotten, Sweden	Granted	100%
Avalon Minerals Viscaria AB	Yhteinenjärvi No 1	Norrbotten, Sweden	Granted	100%

GOLD TENEMENTS - FINLAND

Tenement Holder	Tenement Name	Location	Status	Sunstone Ownership
Kultatie Oy	Somero 1-12[3]	Somero, Finland	Granted	80%
Kultatie Oy	Perämäki[3]	Somero, Finland	Application	80%
Scandian Metals AB	Ypäjä4	Somero, Finland	Granted	100%
Scandian Metals AB	Kukonharja[4]	Somero, Finland	Granted	100%
Scandian Metals AB	Paimio[4]	Somero, Finland	Granted	100%
Kultatie Holding Oy	Myllykulma	Somero, Finland	Application	100%
Kultatie Holding Oy	Palikkala	Somero, Finland	Application	100%
Kultatie Holding Oy	Uusikallio	Somero, Finland	Application	100%
Kultatie Holding Oy	Arolanmäki	Somero, Finland	Granted	100%
Kultatie Holding Oy	Humppila	Somero, Finland	Granted	100%

LITHIUM TENEMENTS – FINLAND AND SWEDEN

Tenement Holder	Tenement Name	Location	Status	Sunstone Ownership
Scandian Metals AB	Ladumyrberget nr[1]	Vasternorrlands, Sweden	Granted	0%[5]
Scandian Metals AB	Ojaklacken nr[1]	Vasternorrlands, Sweden	Granted	0%[5]
Scandian Metals AB	Fannbyasen nr[1]	Vasternorrlands, Sweden	Granted	0%[5]
Scandian Metals AB	Fannbyasen nr[2]	Vasternorrlands, Sweden	Granted	0%[5]
Litiumloydos Oy	Tammela 1-3[3]	Somero, Finland	Granted	80%[5]
Litiumloydos Oy	Ojalankulma[3]	Somero, Finland	Application	80%[5]
Scandian Metals AB	Hietahauta	Kaustinen, Finland	Granted	100%[5]
Scandian Metals AB	Viitala	Kaustinen, Finland	Granted	100%[5]

1. Sunstone has a right to earn up to 80% under the terms of the earn-in agreement announced to ASX on 10 April 2017.
2. The K7 Exploitation Concession at Viscaria was granted on 26 March 2018, however the decision was subsequently appealed in early May 2018.
3. Subject to earn-in joint venture with Nortec Minerals Corp. Requirements met during the year to increase interest from 51% to 80% by Sunstone for gold and Scandian for lithium, and tenements have been transferred to JV entities.
4. To be transferred to a 100% owned Sunstone subsidiary upon approval of Exploration Permits (Exploration Reservations cannot be transferred). Scandian Metals AB retains rights to any lithium interests within these areas.
5. During the financial year an agreement was entered into for Sunstone to purchase the remaining 20% interest in Scandian Metals Pty Ltd (Scandian), which owns 100% of Scandian Metals AB, in exchange for 600,000 Sunstone shares and agreeing to transfer the Swedish lithium tenements back to the former 20% shareholders. The share transfer was completed subsequent to the end of the financial year, and Sunstone now holds 100% of Scandian.

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 2018. The Company was formerly known as Avalon Minerals Ltd before shareholders approved the change of name on 4 September 2017.

DIRECTORS

The following persons were Directors of Sunstone Metals Ltd at all times during the financial year and up to the date of this report, unless otherwise stated:

Mr Graham Ascough
Non-Executive Chairman

Mr Malcolm Norris
CEO & Managing Director

Mr Don Hyma
Non-Executive Director

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

Mr Crispin Henderson
(Non-Executive Chairman appointed 25 March 2013 to 29 November 2013, Non-Executive Director thereafter, resigned 22 November 2017)

PRINCIPAL ACTIVITIES

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

DIVIDENDS

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

REVIEW OF OPERATIONS

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

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

	2018 $	**2017 $**
Revenue and other income	57,137	100,319
Profit/(loss) before income tax	(1,760,165)	(2,234,936)
Income tax expense	-	-
Profit/(loss) attributable to members of Sunstone Metals Ltd	(1,749,670)	(2,212,868)
Profit/(loss) attributable to non-controlling interests	(10,495)	(13,068)
Earnings per share	**2018 cents**	**2017 cents**
Basic earnings per share	(0.2)	(0.4)

FINANCIAL PERFORMANCE

During the year ended 30 June 2018 the Group incurred a loss of $1,760,165 (2017: loss of $2,234,936). The loss for this financial year is largely due to corporate costs incurred to fund the exploration programs in Ecuador and Scandinavia and progression of the Scoping Study on the Viscaria Copper Project.

FINANCIAL POSITION

The Company's non-current assets increased from $41,720,143 at 30 June 2017 to $44,543,167 at 30 June 2018 due to expenditure incurred on the Bramaderos Project in Ecuador, the Viscaria Copper Project in Sweden, and the Southern Finland Gold Project.

During the year, the Company had a net increase in contributed equity of $7,703,427 as a result of:

- A placement of 162,711,777 fully paid shares for a consideration of $2,277,965 excluding fees (1.4 cents per share) in July 2017.
- A Share Purchase Plan (SPP) issuing 70,178,615 fully paid shares for a consideration of $982,500 excluding fees (1.4 cents per share) in July 2017.
- Vesting of 2,143,456 performance rights with a value of $33,009.
- A placement of 221,400,000 fully paid shares for a consideration of $4,206,600 excluding fees (1.9 cents per share) in November 2017.
- A placement of 34,421,057 fully paid shares for a consideration of $654,000 excluding fees (1.9 cents per share) in January 2018.

At the end of the financial period, the Group had cash balances of $2,653,789 (2017 $475,682) and net assets of $46,966,675 (2017: $41,684,496). Total liabilities amounted to $310,250 (2017: $683,109) and included trade, other payables and provisions.

EVENTS OCCURRING AFTER REPORTING DATE

Subsequent to the end of the financial year, the Company signed a non-binding Letter of Intent (LOI) regarding the potential sale of the Viscaria Copper Project to a Swedish copper exploration company, Copperstone Resources AB (publ) ("Copperstone"), which is listed on NASDAQ First North (Stockholm).

Under the terms of the LOI, announced 9 August 2018, Sunstone will receive upon closing of the transaction cash of 40 million Swedish Kronor (MSEK) equal to approximately $6 million and 160 million shares in Copperstone, valued at approximately $25 million. In addition, further consideration of 20 MSEK cash, approximately $3 million, and 46 million shares in Copperstone, valued at approximately $7 million, will be received upon receipt of an environmental permit for the Viscaria Copper Project. The total value of the consideration for the proposed transaction at the date of signing the LOI is approximately $41 million, noting that this value may change due to share price movements of Copperstone and exchange rates between Australian Dollars and Swedish Kronor.

The LOI is non-binding and the intended transaction would be subject to a number of conditions including but not limited to;

- satisfactory completion of due diligence by Copperstone and Sunstone, respectively;
- shareholder approval of the transaction by Copperstone and Sunstone, respectively; and
- all necessary anti-trust, regulatory, and other consents, if any, being obtained in a form reasonably satisfactory to each party.

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

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:

Mr Graham Ascough

Appointed as Non-Executive Chairman 29 November 2013

Member of the Audit and Financial Risk Committee & Remuneration Committee

Experience and expertise

Mr Ascough (BSc, PGeo, MAusIMM) is a senior resources executive with more than 25 years of industry experience evaluating mineral projects and resources in Australia and overseas. He is currently non-executive Chairman of ASX listed companies: PNX Metals Limited, Mithril Resources Limited and Musgrave Minerals Limited.

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

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

Other directorships of listed companies in the past three years

PNX Metals Limited (formerly Phoenix Copper Limited)
Appointed 7 December 2012

Mithril Resources Limited
Appointed 9 October 2006

Musgrave Minerals Limited
Appointed 26 May 2010

Mr Malcolm Norris

Appointed as CEO & Managing Director 1 April 2014

Member of the Audit and Financial Risk Committee & Remuneration Committee

Experience and expertise

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

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

Other directorships of listed companies in the past three years

Magmatic Resources Limited
(appointed 20 December 2016)

Mr Don Hyma

Appointed as a Non-Executive Director 19 March 2014

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

Experience and expertise

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

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

Other directorships of listed companies in the past three years:

Nil

Mr Stephen Stroud

Appointed as a Non-Executive Director 6 September 2017

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

Experience and expertise

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

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

Other directorships of listed companies in the past three years

Explaurum Limited (appointed 21 January 2016)

Mr Crispin Henderson

Appointed as Non-Executive Chairman 25 March 2013, resigned as Non-Executive Chairman 29 November 2013, Non-Executive Director thereafter. Resigned 22 November 2017.

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

Experience and expertise

Mr Henderson (FCA, FCCA, FCIM) has more than 45 years' experience in the financial services and fund management sectors, principally with PricewaterhouseCoopers (34 years) and Threadneedle Investments (from 2002-2013). Mr Henderson is based in London and now works as a consultant to the financial services sector. Until May 2013, he held the position of Vice Chairman of Ameriprise Financial's Global Asset Management business. From 2007 to 2013, Mr Henderson was Chief Executive of Threadneedle which is owned by Ameriprise Financial, a leading US diversified, financial services company and one of the 40 largest asset management firms globally, with a market capitalisation of over US$13bn and US$708bn in assets under management and administration (as at 31 March 2013). Threadneedle is a leading international asset manager, actively managing around US$127bn in equities, fixed income, property and commodities (as at 31 March 2013).

Other directorships of listed companies in the past three years

Nil

COMPANY SECRETARY

Mr Gavin Leicht
Appointed 28 April 2015

Mr Leicht has over 20 years experience in various financial roles, including more than 15 years in senior financial positions in the resources sector in Australia and overseas with Rio Tinto Limited and PanAust Limited.

Mr Leicht holds a Bachelor of Commerce degree from the University of Newcastle. He has also been a Member of the Australian Society of Certified Practising Accountants, Governance Institute of Australia and the Finance & Treasury Association.

MEETINGS OF DIRECTORS

There were 8 meetings of the Company's Board of Directors held during the year ended 30 June 2018. The number of meetings attended by each Director were:

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

	Meeting of Directors		Remuneration Committee		Audit and Financial Risk Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Mr Graham Ascough	8	8	2	2	2	2
Mr Malcolm Norris	8	8	2	2	2	2
Mr Don Hyma	8	8	2	2	2	2
Mr Stephen Stroud	7	7	2	2	2	2
Mr Crispin Henderson	4	4	1	1	1	1

REMUNERATION REPORT - AUDITED

KEY MANAGEMENT PERSONNEL

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

For the purposes of this report, the term "executive" encompasses the chief executive, senior executives, general managers and the Chief Financial Officer & Company Secretary of the Group.

Key management personnel during the year and at the date of this report (unless otherwise stated) are:

DIRECTORS OF THE COMPANY

Chairman

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

CEO & Managing Director

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

Mr Don Hyma
Non-Executive Director
(appointed 19 March 2014)

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

Mr Crispin Henderson
Non-Executive Director
(appointed as Chairman 25 March 2013, resigned as Chairman 29 November 2013, Non-Executive Director thereafter, resigned 22 November 2017)

OTHER KEY MANAGEMENT PERSONNEL

Mr Ray Robinson
General Manager Studies & Technical Services
(appointed 12 January 2015)

Dr Bruce Rohrlach
General Manager Geology
(appointed 7 April 2015)

Mr Gavin Leicht
Chief Financial Officer & Company Secretary
(appointed 20 April 2015)

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

A. Principles used to determine the nature and amount of remuneration

B. Details of remuneration

C. Executive contractual arrangements

D. Share-based compensation

A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

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

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

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

Alignment to shareholders' interests:

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

Alignment to program participants' interests:

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

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 entertainment expenses.

Post-employment benefits

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

Long-term benefits

Long-term benefits include long service leave entitlements.

VARIABLE REMUNERATION

Performance Rights Plan

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

Cash bonuses

The Board may exercise its discretion to award cash bonuses to executives based upon individual performance. No cash bonus was issued to any executives during the year ended 30 June 2018 (2017: nil).

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 current base remuneration was reviewed by the Board on 19 June 2018, and was deemed appropriate for the size and activities of the Company. Directors' remuneration is inclusive of committee fees.

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

Retirement allowances for Directors

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

Loans to key management personnel

There were no loans made to Directors or other key management personnel of Sunstone Metals Ltd.

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

	2018	2017	2016	2015	2014	2013
Impact on shareholder wealth						
Gain/(loss) per share (cents)*	(0.2)	(0.4)	(1.0)	(1.2)	(4.1)	(1.4)
Share price*	3.8	1.5	1.6	3	9	17

*Post consolidation

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. A portion of the performance rights granted in 2015 that were subject to Total Shareholder Return (TSR) hurdles when compared with the ASX Small Resources Index vested during the year.

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.

2018	Short-term benefits		Post employment benefits		Share based payments		
Name	**Cash salary and fees $**	**Cash bonus $**	**Super annuation $**	**Termination payments $**	**Shares and rights $**	**Total $**	**Performance related %**
Directors of Sunstone Metals Ltd							
Mr G Ascough	75,000	-	-	-	3,434	78,434	4.4%
Mr M Norris	270,000	-	25,650	-	24,605	320,254	7.7%
Mr C Henderson[1]	18,750	-	-	-	-	18,750	0.0%
Mr D Hyma	45,000	-	-	-	3,434	48,434	7.1%
Mr S Stroud[2]	36,875	-	-	-	3,434	40,309	8.5%
Other key management personnel							
Mr R Robinson	239,583	-	22,760	-	33,302	295,645	11.3%
Mr G Leicht	200,000	-	19,000	-	32,467	251,467	12.9%
Dr B Rohrach	200,000	-	19,000	-	32,467	251,467	12.9%
Total	**1,085,208**	**-**	**86,410**	**-**	**133,142**	**1,304,760**	

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

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

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

2017	Short-term benefits		Post employment benefits		Share based payments		
Name	Cash salary and fees $	Cash bonus $	Super annuation $	Termination payments $	Shares and rights $	Total $	Performance related %
Directors of Sunstone Metals Ltd							
Mr G Ascough	75,000	-	-	-	37,500	112,500	-
Mr M Norris	322,083	-	30,598	-	22,300	374,981	5.9%
Mr C Henderson	45,000	-	-	-	22,500	67,500	-
Mr D Hyma	45,000	-	-	-	22,500	67,500	-
Other key management personnel							
Mr R Robinson	262,583	-	24,945	-	20,703	308,232	6.7%
Mr G Leicht	236,667	-	22,483	-	19,220	278,370	6.9%
Dr B Rohrlach	236,667	-	22,483	-	19,220	278,370	6.9%
Total	**1,223,000**	**-**	**100,510**	**-**	**163,943**	**1,487,453**	

During the 2017 financial year 59% of the 2016 performance rights subject to TSR hurdles when compared with the ASX Small Resources Index vested.

During the 2016 year, the CEO & Managing Director and other key management personnel took a voluntary 50% reduction in salary for a period of four months. During the financial year ended 30 June 2017, following successful capital raisings, the salary for the CEO & Managing Director and other key management personnel that was voluntarily reduced in 2016 as referred to above was paid.

In addition, Non-Executive Directors elected to voluntarily defer their fees from 1 January 2016 until 30 June 2016, when the Company was able to raise sufficient funds to progress exploration and evaluation activities. In relation to the deferred fees of Non-Executive Directors, shares were issued in lieu of these deferred cash fees following approval by shareholders at the Annual General Meeting held 16 November 2016.

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 $270,000, to be reviewed annually on 1 July of each year. Four weeks annual leave is provided.

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

Other Key Management

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

Base salary for other Key Management Personnel are reviewed annually on 1 July of each year.

D. SHARE-BASED COMPENSATION

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

PERFORMANCE RIGHTS MOVEMENTS DURING THE FINANCIAL YEAR:

2018	Beginning Balance	Granted as remuneration	Vested during year	Lapsed	Balance at end of year
Directors of Sunstone Metals Ltd					
Mr M Norris	3,693,356	2,250,000	-	-	5,943,356
Other key management personnel					
Mr R Robinson	3,455,988	4,250,000	696,265	-	7,009,723
Mr G Leicht	3,227,373	4,250,000	696,265	-	6,831,108
Dr B Rohrach	3,227,373	4,250,000	696,265	-	6,831,108
Total	**13,704,090**	**15,000,000**	**2,088,795**	**-**	**26,615,295**

Shareholder approval was obtained at a General Meeting held on 4 September 2017, for the issue of 2,250,000 Performance Rights with an exercise period of 3 years to Mr M Norris on the following terms (also granted to other key management personnel during the financial year on the same terms and same allocation between tranches):

- Tranche 1: 33.33% or 750,000 performance rights to vest upon the Closing Price of Sunstone Shares being $0.036 or more for 10 consecutive trading days and Total Shareholder Return (TSR) performance at least equal to the ASX Small Resources Index;
- Tranche 2: 33.33% or 750,000 performance rights 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 the anniversary of grant date; and
- Tranche 3: 33.34% or 750,000 performance rights to vest upon the Closing Price of Sunstone Shares being $0.06 or more for 10 consecutive trading days and TSR performance at least equal to the ASX Small Resources Index.

In addition, 6,000,000 performance rights were issued to other key management personnel on 22 December 2017, vesting upon the later of both the following conditions occurring:

- The Closing Price of Sunstone Shares being $0.042 or more for 10 consecutive trading days; and
- 12 months after issue.

The Performance Rights lapse upon termination of employment and have a vesting period of 3 years.

During the 2018 financial year a total of 2,088,795 performance rights vested for key management personnel in relation to the 2016 Tranche 1 grant, which vested upon the Closing Price of Sunstone Shares being $0.045 or more for 10 consecutive trading days, occurring in the period from 8 August 2016 to 22 August 2016. The shares were issued after the 12 month anniversary of the grant, on 28 July 2017, valued at the 15 day VWAP of $0.017 per share.

OPTION MOVEMENTS DURING THE FINANCIAL YEAR:

2018	Beginning Balance	Granted as remuneration	Other movements	Exercised during year	Balance at end of year	Vested and exercisable at end of year
Directors of Sunstone Metals Ltd						
Mr G Ascough	937,000	1,500,000	-	-	2,437,500	937,500
Mr D Hyma	-	1,500,000	-	-	1,500,000	-
Mr S Stroud	-	1,500,000	-	-	1,500,000	-
Mr M Norris	4,625,000	-	(1,500,000)	-	3,125,000	3,125,000
Other key management personnel						
Mr R Robinson	2,312,500	-	(1,000,000)	-	1,312,500	1,312,500
Mr G Leicht	2,362,500	-	(1,000,000)	-	1,362,500	1,362,500
Dr B Rohrach	1,600,00	-	(800,000)	-	800,000	800,000
Total	**11,837,500**	**4,500,000**	**(4,300,000)**	**-**	**12,037,500**	**7,537,500**

Shareholder approval was obtained at the Annual General Meeting held on 22 November 2017 for the issue of 1,500,000 options to each of the 3 non-executive directors, exercisable at $0.032, vesting 12 months after issue, on 22 November 2018, and expiring 31 August 2019 (2017: Nil). The options have a calculated value as at grant date of $0.0083 per option for a total expense of $37,350 to be recognised over the term of the options.

A total of 4,300,000 options exercisable at $0.06, that had been issued to the CEO & Managing Director and other key management personnel, expired during the period.

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

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

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

2018	Beginning Balance	Exercise of Options/rights	Purchases	Disposals	Balance at end of year
Directors of Sunstone Metals Ltd					
Mr G Ascough[2,3]	7,803,188	-	3,176,693	-	10,979,881
Mr M Norris[1,2,3]	8,990,516	-	3,451,592	-	12,442,108
Mr C Henderson[2]	2,903,094	-	2,105,264	-	5,008,358
Mr D Hyma	703,125	-	-	-	703,125
Mr S Stroud[2]	-	-	2,105,264	-	2,105,264
Other key management personnel					
Mr R Robinson[1,3,4]	1,556,387	696,265	1,107,429	-	3,360,081
Mr G Leicht[1,3,4]	1,731,448	696,265	1,098,429	-	3,526,142
Dr B Rohrlach[,3,4]	288,627	696,265	1,451,429	-	2,436,321
Total	**23,976,385**	**2,088,795**	**14,496,100**	**-**	**40,561,280**

1. On-market purchases or sales
2. Shares purchased as part of placement at $0.019 per share following shareholder approval at General Meeting 8 January 2018.
3. Shares purchased under Share Purchase Plan 28 July 2017.
4. Vesting of Employee Performance Rights 28 July 2017.

Shares held by M Norris are via direct interest in 7,492,574 shares, 4,036,007 shares held by superannuation funds where Mr Norris is a direct beneficiary, and 913,527 shares held by an associate of Mr Norris.

There were no other shares issued as a result of the exercise of options during the 2018 year.

End of Remuneration Report (Audited)

INSURANCE OF OFFICERS

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

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 39.

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:

BDO	2018 $	2017 $
Audit services		
Auditors of the Group		
Audit and review of financial reports	49,492	58,810
Other assurance services		
Technical accounting advice	2,547	2,254
Other services		
Taxation compliance and advice	75,045	40,010
	127,081	**101,074**

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

Mr Graham Ascough
Chairman

Brisbane, Queensland
14 August 2018

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Brisbane QLD 4000
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Australia

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

As lead auditor of Sunstone Metals Ltd for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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

A J Whyte
Partner

BDO Audit Pty Ltd

Brisbane, 14 August 2018

CORPORATE GOVERNANCE STATEMENT

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

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

Mr Graham Ascough
Non-Executive Chairman
Independent

Mr Malcolm Norris
CEO & Managing Director

Mr Don Hyma
Non-Executive Director
Independent

Mr Stephen Stroud
Non-Executive Director
Independent

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

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

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

INDEPENDENT DIRECTORS

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

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

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

BOARD COMPOSITION

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

DIRECTOR AND EXECUTIVE EDUCATION

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

TERM OF APPOINTMENT AS A DIRECTOR

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

RISK MANAGEMENT AND INTERNAL COMPLIANCE AND CONTROLS

Audit and Financial Risk Committee

The Board has established an Audit and Financial Risk Committee.

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

The Committee members are:

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

The Committee's responsibilities include:

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

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

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

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

- ensure the Company's risk management policies and procedures are adequate;
- monitor compliance with the Company's risk management policies and procedures;

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

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

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

REMUNERATION/NOMINATION AND PERFORMANCE

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

The Committee members are:

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

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

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

The Company does not currently have a documented formal process for periodically evaluating the performance of the Board, its committees and individual directors, however does undertake informal evaluations. The Committee undertakes an annual review of key executives, evaluating their performance and remuneration levels. This annual review was last undertaken in June 2018.

CODE OF CONDUCT

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

CONFLICT OF INTEREST

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

INDEPENDENT PROFESSIONAL ADVICE

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

SHARE TRADING POLICY

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

COMMUNICATION TO MARKET AND SHAREHOLDERS

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

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

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

DIVERSITY POLICY

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

EXTERNAL AUDITORS

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

OTHER INFORMATION

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

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

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	**2018 $**	2017 $
Revenue	4	**57,137**	10,319
Other income	4	**-**	90,000
Employee Benefits Expense	5	**(784,374)**	(824,439)
Corporate and administration expenses		**(813,969)**	(1,172,118)
Depreciation expense		**(10,356)**	(11,340)
Impairment expense		**(204,668)**	(322,274)
Interest paid		**(3,935)**	(5,083)
Profit/(Loss) before income tax		**(1,760,165)**	(2,234,936)
Income tax expense	6	**-**	-
Net profit/(loss) for the period		**(1,760,165)**	(2,234,936)
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**(765,028)**	(1,228,407)
Total comprehensive profit/(loss) for the period		**(2,525,193)**	(3,463,344)
Net profit/(loss) for the period is attributable to:			
Members of Sunstone Metals Ltd		**(1,749,670)**	(2,221,868)
Non-controlling interests		**(10,495)**	(13,068)
		(1,760,165)	(2,234,936)
Total comprehensive profit/(loss) for the period attributable to:			
Members of Sunstone Metals Ltd		**(2,522,458)**	(3,448,858)
Non-controlling interests		**(2,735)**	(14,486)
		(2,525,193)	(3,463,344)
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
		Cents	Cents
Basic earnings per share	18	**(0.2)**	(0.4)
Diluted earnings per share	18	**(0.2)**	(0.4)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30-Jun-18 $	30-Jun-17 $
Current assets			
Cash and cash equivalents	7	**2,653,789**	475,682
Trade and other receivables	8	**79,969**	171,780
Total current assets		**2,733,758**	647,462
Non-current assets			
Plant and equipment	9	**68,476**	91,472
Exploration and evaluation	10	**44,474,691**	41,628,671
Total non-current assets		**44,543,167**	41,720,143
Total assets		**47,276,925**	42,367,605
Current liabilities			
Trade and other payables	11	**165,460**	559,864
Provisions	12	**144,790**	123,245
Total current liabilities		**310,250**	683,109
Total liabilities		**310,250**	683,109
Net assets		**46,966,675**	41,684,496
Equity			
Contributed equity	13	**77,502,820**	69,799,393
Reserves	14	**2,210,518**	2,879,818
Accumulated losses		**(32,737,110)**	(30,987,440)
Equity attributable to owners of Sunstone Metals Limited		**46,976,228**	41,691,771
Non-controlling interests	15	**(9,553)**	(7,275)
Total equity		**46,966,675**	41,684,496

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

2017	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	**65,158,634**	**3,360,043**	**477,455**	**(28,765,572)**	**40,230,559**	**-**	**40,230,559**
Profit/(loss) for the year				(2,221,868)	(2,221,868)	(13,068)	(2,234,936)
Other comprehensive Income			(1,226,990)		(1,226,990)	(1,418)	(1,228,407)
Total comprehensive income/(loss) for the year	**-**	**-**	**(1,226,990)**	**(2,221,868)**	**(3,448,858)**	**(14,486)**	**(3,463,344)**
Shares issued	4,971,173				4,971,173	7,211	4,978,384
Share issue costs	(330,414)				(330,414)		(330,414)
Share based payment transactions		269,310			269,310		269,310
Total Equity at the end of the financial year	**69,799,393**	**3,629,353**	**(749,535)**	**(30,987,440)**	**41,691,771**	**(7,275)**	**41,684,496**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2018 $	2017 $
Cash flows to/from operating activities			
Payments to suppliers and employees		**(1,578,901)**	(1,753,183)
Sundry income	4	**-**	90,000
Interest paid		**(3,935)**	(5,083)
Interest received	4	**57,137**	10,319
Net cash outflow from operating activities	16	**(1,525,699)**	(1,657,947)
Cash flows to/from investing activities			
Payments for plant and equipment		**(2,704)**	-
Exploration and evaluation expenditure		**(3,823,584)**	(3,278,840)
Research and development rebate		**(141,952)**	467,675
Net cash used in investing activities		**(3,968,240)**	(2,811,165)
Cash flows to/from financing activities			
Proceeds from issue of securities		**8,121,065**	4,647,399
Costs of share issues		**(450,647)**	(330,414)
Net cash provided by financing activities		**7,670,418**	4,316,985
Net increase/(decrease) in cash		**2,176,479**	(152,127)
Effect of exchange rate fluctuations on cash held		**1,628**	(3,250)
Cash and cash equivalents at the beginning of the financial year		**475,682**	631,059
Cash at the end of the financial year		**2,653,789**	475,682

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 2018, unless otherwise stated.

Corporate information

The consolidated financial report of Sunstone Metals Limited for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 14 August 2018.

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

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

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

(a) Basis of preparation

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

The presentation currency is Australian dollars.

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

Going concern

The Group incurred a net loss of $1,760,165 for the year ended 30 June 2018 (2017: $2,234,936 loss). As at 30 June 2018 the Group has net cash reserves of $2,653,789 (2017: $475,682) and a net current asset surplus of $2,423,508 (2017: $35,647 deficit).

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

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

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

- To date the Group has funded its activities through issuance of equity securities and it is expected that the Group will be able to fund its future activities through further issuances of equity securities;
- The share placements undertaken during the financial year were heavily oversubscribed; and
- The directors believe there is sufficient cash available for the Group to continue operating until it can raise sufficient further capital to fund its ongoing activities.

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

Note 1. Summary of Significant Accounting Policies (continued)

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

(b) Statement of compliance

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

(c) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Sunstone Metals Limited ("Company", "Sunstone" or "Parent Entity") as at 30 June 2018 and the results of all the subsidiaries for the financial period then ended. The Company and its subsidiaries together are referred to in this financial report as the Group or Consolidated Entity.

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

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

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

(d) Operating segments

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

(e) Revenue recognition

Interest income

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

Government grants

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

(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.

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) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the period of the lease (refer to Note 20).

Note 1. Summary of Significant Accounting Policies (continued)

(h) 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.

(i) 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.

(j) Investments and other financial assets

Financial assets are classified in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or available for sale investments, as appropriate. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the Statement of Financial Position.

Note 1. Summary of Significant Accounting Policies (continued)

(k) 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.

(l) 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.

(m) Employee benefits

(i) Wages, salaries and annual leave

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

(ii) Retirement benefit obligations

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

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

(iii) Share-based payments

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

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

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

(n) 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.

Note 1. Summary of Significant Accounting Policies (continued)

(o) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(p) Exploration and evaluation expenditure

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

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

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

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

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

(q) Goods and services tax (GST) / Value added Tax (VAT)

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

(r) 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 subsidiaries is the 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.

(s) 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 2017.

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

(t) 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 on the entity in the current or future reporting periods and on foreseeable future transactions.

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 that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Below are the key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period.

Note 2. Accounting estimates and judgements (continued)

The Group has carrying balances for exploration and evaluation assets. 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 2018 is $44,474,691 (2017: $41,628,671)

The approved K7 Exploitation Concession at Viscaria is currently under appeal. The Exploration Concession tenement, Viscaria 101, on which the K7 area stands maintains a good standing while K7 is under appeal. Upon a final decision being made on K7 the Company will apply for a new Exploration Concession over the Viscaria 101 tenement.

Approved Exploitation Concessions K3 and K4, which cover the main areas of Viscaria copper mineralisation, remain in force and are not affected.

Note 3. Segment reporting

The Group has determined its operating segment based upon reports reviewed by the Board (Chief Operating Decision Makers) for making strategic decisions. The Board has identified four operating segments being corporate expenditure in Australia, and exploration for and evaluation of copper, gold and lithium projects in Sweden, Finland, and in Ecuador.

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

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

Geographical areas

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

	2018 **$**	2017 $
Revenue/Income		
Australia	**57,132**	100,130
Sweden	**5**	137
Finland	**-**	52
	57,137	100,319
Non-current assets		
Australia	**417,000**	424,653
Sweden	**38,981,161**	39,189,761
Finland	**2,566,897**	1,963,738
Ecuador	**2,578,108**	141,991
	44,543,167	41,720,143

Note 4. Revenue and other income

	2018 $	2017 $
Interest Revenue	**57,137**	10,319
Sundry Income	**-**	90,000

Note 5. Expenses

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

	2018 $	2017 $
Employee benefits expense*		
Salaries & wages	**389,333**	455,390
Directors' fees	**175,625**	165,000
Defined contribution superannuation expense	**36,987**	53,081
Share based payments	**136,497**	83,083
Movement in leave provisions	**21,513**	42,362
Other	**24,419**	25,522
	784,374	**824,439**

* Excludes employee costs capitalised to exploration and evaluation expenditure

	2018	2017
Rental expense related to operating lease	**59,743**	63,176
Impairment Expense	**204,668**	322,274

Note 6. Income tax

	2018 **$**	2017 $
(a) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate		
Accounting loss before income tax	**(1,760,165)**	(2,234,936)
At the Group's statutory income tax rate of 27.5% (2017: 30%)	**(484,045)**	(670,481)
Expenditure not allowable for income tax purposes	**40,911**	111,940
Prior year adjustment to Deferred Tax Assets	**174,266**	310,347
Deferred tax asset not brought to account as realisation is not considered probable	**268,868**	248,194
Income tax expense	**-**	-

	Statement of Financial Position	
	2018 **$**	2017 $
Deferred tax assets		
Employee provisions	**39,817**	36,974
Other accruals and provisions	**15,076**	15,000
Share issue costs charged to equity	**21,819**	22,743
Unused income tax losses	**3,150,522**	3,136,720
Deferred tax assets offset by deferred tax liabilities	**-**	-
Total deferred tax assets	**3,227,234**	3,211,437
Total unrecognised deferred tax assets	**(3,227,234)**	(3,211,437)
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 7. Cash and cash equivalents

	2018 $	2017 $
Cash on hand and at bank	**2,653,789**	475,682

Cash at bank earns interest at floating rates based on daily bank deposit rates. The cash at bank is bearing floating interest rates between 0.01% and 2.45% (2017: 0.01% and 0.60%). The carrying amounts of cash and cash equivalents represent fair value.

Restricted cash balances totalling $15,225 (2017: $15,225) representing term deposits securing various performance guarantees have been disclosed under trade and other receivables (refer Note 8).

Note 8. Trade and other receivables

	2018 $	2017 $
Other debtors	**48,797**	114,775
Provision for Doubtful Debts	**-**	-
Deposits	**15,225**	15,225
Prepayments	**15,947**	41,780
	79,969	171,780

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 9. Property, plant and equipment

	Office equipment $	Computer equipment $	Exploration equipment $	Mine infrastructure $	Motor vehicles $	Total $
Year Ended 30 June 2018						
Carrying amount at beginning of financial year	**354**	**13,468**	**11,999**	**65,651**	**-**	**91,472**
Additions	**-**	**2,704**	**-**	**-**	**-**	**2,704**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation expensed	**(283)**	**(10,073)**	**-**	**-**	**-**	**(10,356)**
Depreciation capitalised as exploration	**-**	**(97)**	**(12,112)**	**(1,941)**	**-**	**(14,151)**
Effect of movement in foreign exchange	**-**	**1**	**113**	**(1,307)**	**-**	**(1,193)**
Carrying amount at end of financial year	**70**	**6,003**	**-**	**62,403**	**-**	**68,476**
As at 30 June 2018						
At Cost	**23,944**	**197,941**	**332,078**	**75,310**	**4,358**	**633,631**
Accumulated Depreciation	**(23,874)**	**(191,938)**	**(332,078)**	**(12,907)**	**(4,358)**	**(565,155)**
	70	**6,003**	**-**	**62,403**	**-**	**68,476**
Year Ended 30 June 2017						
Carrying amount at beginning of financial year	910	24,577	49,480	69,620	-	144,586
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Depreciation expensed	(556)	(10,784)	-	-	-	(11,340)
Depreciation capitalised as exploration	-	(306)	(35,303)	(1,884)	-	(37,493)
Effect of movement in foreign exchange	-	- 19	- 2,178	- 2,085	-	(4,281)
Carrying amount at end of financial year	354	13,468	11,999	65,651	-	91,472
As at 30 June 2017						
At Cost	23,944	216,003	335,982	76,909	23,416	676,254
Accumulated Depreciation	(23,590)	(202,534)	(323,983)	(11,258)	(23,416)	(584,781)
	354	13,468	11,999	65,651	-	91,472

Note 10. Exploration and evaluation assets

	2018 $	2017 $
At Cost - less amounts written off	**44,474,691**	41,628,671
Balance at 1 July	**41,628,671**	39,685,644
Exploration and evaluation expenditure	**3,904,897**	3,753,524
Relinquished tenements	**(204,668)**	(322,274)
Research and development rebate	**(96,192)**	(229,530)
Effect of movement in foreign exchange	**(758,017)**	(1,258,693)
Balance at 30 June	**44,474,691**	41,628,671

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.

Note 11. Trade and other payables

	2018 $	2017 $
Trade payables	**123,126**	532,831
Sundry payables and accrued expenses	**42,334**	27,033
	165,460	559,864

Note 12. Provisions

	2018 $	2017 $
Employee leave liabilities	**144,790**	123,245

Note 13. Contributed equity

(a) Share capital

	Number of shares	2018 $
Ordinary shares - fully paid	**1,141,702,039**	**77,502,820**

(b) Movements in ordinary share capital

		Number of shares	Issue price $	$
	Balance as at 1 July 2016	**383,101,935**		**65,158,634**
Jul-16	Share placement	94,525,000	0.016	1,512,400
Aug-16	Share placement	37,812,500	0.016	605,000
Aug-16	Shares issued to Haustella & Wilron third parties under terms of agreement	5,000,000	0.044	220,000
Nov-16	Share issued in lieu of cash directors fees	2,578,126	0.032	82,500
Dec-16	Share placement	125,500,000	0.020	2,510,000
Jan-17	Vesting of Employee Performance Rights	1,329,573	0.016	21,273
Feb-17	Share placement	1,000,000	0.020	20,000
	Share issue costs			(330,414)
	Balance as at 30 June 2017	**650,847,134**		**69,799,393**
	Balance as at 1 July 2017	**650,847,134**		**69,799,393**
Jul-17	Share placement	162,711,777	0.014	2,277,965
Jul-17	Share Purchase Plan	70,178,615	0.014	982,500
Jul-17	Vesting of Employee Performance Rights	2,143,456	0.015	33,009
Nov-17	Share placement	221,400,000	0.019	4,206,600
Jan-18	Share placement	34,421,057	0.019	654,000
	Share issue costs			(450,647)
	Balance as at 30 June 2018	**1,141,702,039**		**77,502,820**

(c) Ordinary shares

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

(d) Employee and Director's Option Plan / Performance Right's Plan

Information relating to the Employee share option plan and performance right's plan, including details of instruments issued, exercised and lapsed during the financial year are set out in Note 17.

(e) Options/Performance Rights

Following shareholder approval at the Annual General Meeting held on 22 November 2017 4,500,000 Options were issued to directors with an exercise price of $0.032 per option, vesting 12 months after issue and expiring 31 August 2019.

At the end of the 2018 financial year there were also 154,837,500 listed options, 5,600,000 other unlisted options, and 27,850,971 performance rights over ordinary shares on issue (see Note 17).

(f) Capital management

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

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

	2018 **$**	2017 $
Current assets	**2,733,758**	647,462
Current liabilities	**310,250**	683,109
Liquidity ratio	**8.8 : 1**	0.9 : 1

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

Note 14. Reserves

	2018 **$**	2017 $
Share based payments reserve	**3,732,841**	3,629,353
Foreign currency translation reserve	**(1,522,323)**	(749,536)
Total reserves	**2,210,518**	2,879,817
Movements in reserves were as follows:		
Share based payments reserve		
Opening balance	**3,629,353**	3,360,043
Share based payments - employees	**136,497**	83,083
Shares Issued on vesting	**(33,009)**	(21,273)
Share based payments - service providers	**-**	207,500
Closing balance	**3,732,841**	3,629,353
Foreign currency translation reserve		
Opening balance	**(749,535)**	477,455
Foreign exchange gains/(losses) on translation	**(772,788)**	(1,226,990)
Closing balance	**(1,522,323)**	(749,535)

Note 14. Reserves (continued)

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 subsidiaries is the Swedish Krona and Euro.

Note 15. Non-controlling interests

	2018 **$**	2017 $
Interest In:		
Share capital	**7,669**	7,211
Foreign currency translation reserve	**6,341**	(1,418)
Retained earnings	**(23,563)**	(13,068)
	(9,553)	(7,275)

Note 16. Cash Flow Information

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

	2018 **$**	2017 $
Operating profit/(loss) after income tax	**(1,760,165)**	(2,234,936)
Non-cash flows in loss		
Depreciation	**10,356**	11,340
Impairment expense	**204,668**	322,274
Share based payments - performance rights/options	**136,497**	290,583
Changes in operating assets and liabilities		
Decrease/(increase) in trade & other receivables	**40,669**	(129,248)
(Decrease)/increase in trade & other payables	**(179,270)**	39,637
(Decrease)/increase in provisions	**21,545**	42,402
	(1,525,699)	(1,657,949)

Note 17. Share-based payments

(a) Issue of Options and Performance Rights

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

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

The tables below outline the key details for all options and performance rights outstanding as at 30 June 2018:

Options:

Grant Date	Options Issued	Expiry Date	Value per Option	Total Value	Exercise Price	Share price at Grant Date	Share Volatility	Risk Free rate of return
Options:								
22 November 2017	4,500,000	31/08/2019	$ 0.0083	$ 37,350	$ 0.032	$ 0.021	100%	1.78%
21 February 2017^	7,500,000	31/08/2019	$ 0.0070	$ 52,500	$ 0.03	$ 0.021		
14 December 2016^	5,000,000	31/08/2019	$ 0.0070	$ 35,000	$ 0.03	$ 0.022		
23 August 2016^	10,000,000	31/08/2019	$ 0.0120	$ 120,000	$ 0.03	$ 0.044		
29 May 2015	300,000	29/05/2020	$ 0.0186	$ 5,580	$ 0.08	$ 0.030	210%	2.26%
8 May 2015	1,800,000	5/05/2020	$ 0.0186	$ 33,480	$ 0.08	$ 0.035	210%	2.26%
12 Jan 2015	1,000,000	12/01/2020	$ 0.0158	$ 15,800	$ 0.08	$ 0.025	208%	2.25%
3 November 2014	2,500,000	3/11/2019	$ 0.0433	$ 108,236	$ 0.08	$ 0.040	150%	2.97%
	32,600,000			**$ 407,946**				
Expired during year:								
29 May 2015	300,000	29/05/2018	$ 0.0157	$ 4,710	$ 0.06	$ 0.030	274%	2.08%
8 May 2015	1,800,000	5/05/2018	$ 0.0157	$ 28,260	$ 0.06	$ 0.035	274%	2.08%
12 Jan 2015	1,000,000	12/01/2018	$ 0.0131	$ 13,100	$ 0.06	$ 0.025	271%	2.14%
3 November 2014	2,100,000	3/11/2017	$ 0.0370	$ 77,738	$ 0.06	$ 0.040	150%	2.73%
	5,200,000			*$ 123,808*				
Weighted Average $			$ 0.0125		$ 0.04	$ 0.031		
Weighted Average remaining life		1.2 years						

^ Quoted Options on ASX (STMO) issued to Hartleys Limited in lieu of cash advisory fees.
Valuation of Quoted Options relates to market price on date of issue.

In addition to the options above, on 23 August 2016, 132,337,500 Quoted Options on ASX were issued, attaching to shares issued as part of Placement announced 6 July 2016 on a one for one basis. The options have an exercise price of $0.03 per option and an expiry date of 31 August 2019. These options are not classified as share-based payments.

Note 17. Share-based payments (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:								
13 Mar 2018	1,000,000	13/03/2021	$ 0.0172	$ 17,200	$ 0.062	$ 0.033	100%	2.09%
20 Dec 2017	6,000,000	20/12/2020	$ 0.0172	$ 103,200	$ 0.042	$ 0.025	100%	2.09%
7 Sept 2017: Tranche 1	3,000,000	7/09/2020	$ 0.0132	$ 39,600	$ 0.036	$ 0.018	140%	1.94%
7 Sept 2017: Tranche 2	3,000,000	7/09/2020	$ 0.0120	$ 36,000	TSR	$ 0.018	140%	1.94%
7 Sept 2017: Tranche 3	3,000,000	7/09/2020	$ 0.0111	$ 33,300	$ 0.06	$ 0.018	140%	1.94%
23 Aug 2016: Tranche 1	696,265	23/08/2019	$ 0.0154	$ 10,722	$ 0.045	$ 0.044	146%	1.50%
23 Aug 2016: Tranche 2	696,265	23/08/2019	$ 0.0135	$ 9,400	TSR	$ 0.044	146%	1.50%
23 Aug 2016: Tranche 3	696,470	23/08/2019	$ 0.0129	$ 8,984	$ 0.07	$ 0.044	146%	1.50%
15 Jul 2016: Tranche 2	2,143,456	15/07/2019	$ 0.0135	$ 28,937	TSR	$ 0.027	146%	1.50%
15 Jul 2016: Tranche 3	2,144,088	15/07/2019	$ 0.0129	$ 27,659	$ 0.07	$ 0.027	146%	1.50%
14 Dec 2015: Tranche 1	2,267,800	14/12/2018	$ 0.0164	$ 37,192	$ 0.08	$ 0.021	148%	2.13%
14 Dec 2015: Tranche 2	938,227	14/12/2018	$ 0.0160	$ 15,012	TSR	$ 0.021	148%	2.13%
14 Dec 2015: Tranche 3	2,268,400	14/12/2018	$ 0.0141	$ 31,984	$ 0.12	$ 0.021	148%	2.13%
	27,850,971			**399,190**				
Weighted Average $			$ 0.0143			$ 0.024		
Weighted Average remaining life		1.7 years						

The tables below outline the movements for all share-based payments options and performance rights during 2018:

Options:

Grant Date	Beginning Balance	Granted during year	Exercised during year	Lapsed	Balance at end of year
22 November 2017	-	4,500,000	-	-	4,500,000
21 February 2017	7,500,000	-	-	-	7,500,000
14 December 2016	5,000,000	-	-	-	5,000,000
23 August 2016	10,000,000	-	-	-	10,000,000
29 May 2015	300,000	-	-	(300,000)	-
29 May 2015	300,000	-	-	-	300,000
8 May 2015	1,800,000	-	-	(1,800,000)	-
8 May 2015	1,800,000	-	-	-	1,800,000
12 Jan 2015	1,000,000	-	-	(1,000,000)	-
12 Jan 2015	1,000,000	-	-	-	1,000,000
3 November 2014	2,100,000	-	-	(2,100,000)	-
3 November 2014	2,500,000	-	-	-	2,500,000
Total	**33,300,000**	**4,500,000**	**-**	**(5,200,000)**	**32,600,000**

Following shareholder approval at the Annual General Meeting held on 22 November 2017 4,500,000 Options were issued to directors with an exercise price of $0.032 per option, vesting 12 months after issue and expiring 31 August 2019. A total of 4,300,000 options exercisable at $0.06, that had been issued to the CEO & Managing Director and other key management personnel, expired during the period.

Note 17. Share-based payments (continued)

Performance Rights:

Grant Date	Beginning Balance	Granted as remuneration	Exercised during year	Lapsed	Balance at end of year
13 Mar 2018	-	1,000,000		-	1,000,000
20 Dec 2017	-	6,000,000		-	6,000,000
7 Sept 2017: Tranche 1	-	3,000,000		-	3,000,000
7 Sept 2017: Tranche 2	-	3,000,000		-	3,000,000
7 Sept 2017: Tranche 3	-	3,000,000		-	3,000,000
15 Jul 2016: Tranche 1*	2,839,721	-	(2,143,456)	-	696,265
15 Jul 2016: Tranche 2*	2,839,721	-	-	-	2,839,721
15 Jul 2016: Tranche 3*	2,840,558	-	-	-	2,840,558
14 Dec 2015: Tranche 1	2,267,800	-	-	-	2,267,800
14 Dec 2015: Tranche 2	938,227	-	-	-	938,227
14 Dec 2015: Tranche 3	2,268,400	-	-	-	2,268,400
Total	**13,994,427**	**16,000,000**	**(2,143,456)**	**-**	**27,850,971**

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

During the 2018 financial year a total of 2,143,456 performance rights vested for all personnel in relation to the 2016 Tranche 1 grant, which vested upon the Closing Price of Sunstone Shares being $0.045 or more for 10 consecutive trading days, occurring in the period from 8 August 2016 to 22 August 2016.

Performance Conditions attached to the performance rights granted in the year ended 30 June 2018 were:

1. Tranche 1 – the Closing Price of Sunstone Shares being $0.036 or more for 10 consecutive trading days and Total Shareholder Return (TSR) performance at least equal to the ASX Small Resources Index;
2. Tranche 2 – TSR performance as measured against the ASX Small Resources Index, as follows:
   - Performance below the index no shares will vest.
   - Performance equal to the index will see 50% vest, increasing linearly with outperformance of the index by up to 25%, such that 100% of shares will vest should Sunstone's performance be greater than 25% above the index performance.
   - Testing will be annually on the anniversary of grant date; and
3. Tranche 3 – the Closing Price of Sunstone Shares being $0.06 or more for 10 consecutive trading days and TSR performance at least equal to the ASX Small Resources Index.
4. 20 Dec 2017 tranche - to vest upon the later of both the following conditions occurring:
   - The Closing Price of Sunstone Shares being $0.042 or more for 10 consecutive trading days; and
   - 12 months after issue.
5. 13 Mar 2018 tranche - to vest upon the later of both the following conditions occurring:
   - The Closing Price of Sunstone Shares being $0.062 or more for 10 consecutive trading days; and
   - 12 months after issue.

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

Note 17. 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 2018 was $126,196 (2017: $83,226). Expense for options was $10,301 (2017: $207,500).

Note 18. Earnings per share

	2018 cents	2017 cents
Basic earnings per share	**(0.2)**	(0.4)
Diluted earnings per share	**(0.2)**	(0.4)
Weighted average number of shares used as the denominator	**Number**	Number
Weighted average number of shares used as the denominator in calculating basic earnings per share (post consolidation)	**1,034,072,761**	581,614,428
Gains/(losses) used in calculating basic and diluted losses per share	**$**	$
	(1,760,165)	(2,234,936)

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

Note 19. 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 22.

Key Management Personnel compensation

	2018 $	2017 $
Short-term employee benefits	**1,085,208**	1,223,000
Post employment benefits	**86,410**	100,510
Share based payments	**133,142**	163,943
	1,304,760	1,487,453

Note 20. Capital and other commitments

(a) Capital Commitments

Commitments on Tenements	2018 $	2017 $
Existing Tenements		
- not later than 12 months	**2,051,150**	4,747,140
- between 12 months and 5 years	**119,440**	173,970
	2,170,590	4,921,110

Existing Tenements

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 Bergsstaten (Swedish Mines Inspectorate) 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.

The Company's subsidiary has met the expenditure commitments under Heads of Agreements relating to lithium and gold tenements in Scandinavia to earn 80%, therefore there are no longer any minimum expenditure commitments apart from annual tenement/claim fees.

Under the terms of the Heads of Agreement with Nortec Minerals Corp and their subsidiary Tammela Minerals Oy, Sunstone (100% for gold tenements and via its 80% owned subsidiary Scandian Metals Pty Ltd for lithium tenements) has earned an 80% interest in the Tammela tenements.

During the financial year Sunstone earned the Stage Two interest of 29%, taking the total interest to 80%.

Under the terms of the binding agreement with Cornerstone Capital Resources Inc. ("Cornerstone") (TSXV-CGP), the Company will have the right to earn an initial 51% interest (the "First Option") in the mineral rights to the Bramaderos concession (the "Property") by making a payment of US$50,000 to PLAMIN upon execution of the Binding Letter Agreement (the "Agreement") and incurring exploration and related expenditures on the Property at the following times and in the following amounts:

(i) on or before the first anniversary of receipt of drilling permits, incurring committed expenditures on the Property in the amount of US$1,500,000; and

(ii) on or before the third (3rd) anniversary of the date of the Agreement, incurring further optional expenditures on the Property in the amount of US$1,900,000.

Expenditure up to 30 June 2018 on the Bramaderos Project is US$1.9 million.

(b) Lease commitments

Operating lease payable	2018 $	2017 $
- not later than 12 months	**90,336**	151,735
- between 12 months and 5 years	**98,227**	45,524
	188,563	197,259

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

Note 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.

(i) Credit risk

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

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

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

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

No impairment of the Group's financial assets was recognised during the year ended 30 June 2018 (2017: $NIL).

(ii) Liquidity risk

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

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

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

	2018 **$**	2017 $
Liquid financial assets		
Three months or less	**2,702,689**	590,907
Greater than three months	**31,069**	56,554
	2,733,758	647,462
Liquid financial liabilities		
Three months or less	**165,460**	559,864
	165,460	559,864

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

Fair values

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

(iii) Interest rate risk

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

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

	2018 **$**	2017 $
Financial assets		
Cash and cash equivalents	**2,653,789**	475,682
	2,653,789	475,682

The following sensitivity analysis is based on the interest rate risk exposure in existence at the reporting date. The 1% sensitivity (2017: 1%) is based on reasonably possible changes over a financial year, using the observed range of actual historical rates for the preceding five year period.

At 30 June 2018, 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:

	2018 **$**	2017 $
Post tax gain/(loss)		
+1.0% (100 basis points)	**26,538**	4,757
-1.0% (100 basis points)	**(26,538)**	(4,757)

The average interest rate for the year ended 30 June 2018 was 1.71% (2017: 0.67%).

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

(iv) Foreign currency risk

As a result of significant investment in Sweden, the Group's balance sheet can be affected significantly by movements in the Swedish Krona/Australian Dollar exchange rates. The Group does not consider there to be a significant exposure to the Swedish Krona as it represents the functional currency of a controlled entity.

The Group does not hold any financial assets or liabilities at 30 June 2018 which create a material exposure to changes in foreign exchange rates.

NOTES TO THE FINANCIAL STATEMENTS

Note 22. Subsidiaries

Name of entity	Country of incorporation	Class of shares	Ownership interest held by group *	
			2018	2017
Avalon Minerals Adak AB	Sweden	Ordinary	100%	100%
Avalon Minerals Viscaria AB	Sweden	Ordinary	100%	100%
Scandian Metals Pty Ltd	Australia	Ordinary	80%	80%
Scandian Metals AB	Sweden	Ordinary	80%[1]	80%
Kultatie Holding Oy	Finland	Ordinary	100%	100%
Kultatie Oy	Finland	Ordinary	80%[2]	51%
Litiumloydos Oy	Finland	Ordinary	64%[3]	41%
Sunstone Metals Canada Limited	Canada	Ordinary	100%	-
Sunstone Metals Ecuador S.A.	Ecuador	Ordinary	100%[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 Kultatie Oy is an 80% owned subsidiary of Kultatie Holding Oy
3 Litiumloydos Oy is an 80% owned subsidiary of Scandian Metals AB
4 Sunstone Metals Ecuador is a 100% owned subsidiary of Sunstone Metals Canada

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

Note 23. Remuneration of auditors

	2018	2017
	$	$
During the period the following fees were paid or payable for services provided by the auditor of the Company and its related practices:		
Audit and Review Services		
Audit and review of consolidated financial statements	**43,041**	53,423
Audit of Swedish subsidiaries financial statements	**6,450**	5,387
Other services		
Accounting advice - Australia	**-**	-
Taxation matters - Australia	**72,714**	38,507
Accounting advice - Scandinavia	**2,547**	2,254
Taxation matters - Scandinavia	**2,329**	1,503

Note 24. Contingent liabilities

The Company is not aware of any other material contingent liabilities at 30 June 2018 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 2018 (2017: nil).

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

Note 26. Events occurring after reporting date

Subsequent to the end of the financial year, the Company signed a non-binding Letter of Intent (LOI) regarding the potential sale of the Viscaria Copper Project to a Swedish copper exploration company, Copperstone Resources AB (publ)("Copperstone"), which is listed on NASDAQ First North (Stockholm).

Under the terms of the LOI, announced 9 August 2018, Sunstone will receive upon closing of the transaction cash of 40 million Swedish Kronor (MSEK) equal to approximately $6 million and 160 million shares in Copperstone, valued at approximately $25 million. In addition, further consideration of 20 MSEK cash, approximately $3 million, and 46 million shares in Copperstone, valued at approximately $7 million, will be received upon receipt of an environmental permit for the Viscaria Copper Project. The total value of the consideration for the proposed transaction at the date of signing the LOI is approximately $41 million, noting that this value may change due to share price movements of Copperstone and exchange rates between Australian Dollars and Swedish Kronor.

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

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. Parent Entity Information

Information relating to Sunstone Metals Limited:

	2018 $	2017 $
Current assets	**2,574,068**	411,318
Non-current assets	**3,678,675**	1,249,971
Total assets	**6,252,742**	1,661,289
Current liabilities	**274,559**	538,691
Total liabilities	**274,559**	538,691
Net assets	**5,978,184**	1,122,597
Issued Capital	**77,502,820**	69,799,393
Accumulated losses	**(75,257,716)**	(72,306,149)
Share based payment reserve	**3,732,841**	3,629,353
Total shareholders' equity	**5,977,945**	1,122,597
Net income/(loss) for the year	**(2,951,567)**	(5,187,782)
Total Comprehensive income/(loss)	**(2,951,567)**	(5,187,782)

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 (2017: $15,225) representing term deposits securing performance guarantees over rental of the Company's office premises.

The net loss for the year for the Parent Entity includes the recognition of an impairment against intercompany loans receivable of $1.4 million.

Under the binding agreement to earn a 51% interest in the Bramaderos gold-copper concession, southern Ecuador, the Parent Entity has a contractual commitment to incur expenditure on this concession (refer Note 20).

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 2018 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 2018.

On behalf of the Board

Mr Graham Ascough
Chairman

Brisbane, Queensland
14 August 2018

BDO

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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 2018, 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 2018 and of its financial performance for the year ended on that date; and

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key audit matters

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

BDO

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 exploration and evaluation assets totalling $44,474,691 as at 30 June 2018. Accounting for these assets are set out in the Group's accounting policy for exploration and evaluation assets in note 1(p). The recoverability of exploration and evaluation asset is a key audit matter due to: • The significance of the total balance (94% of total assets); and • The level of procedures undertaken to evaluate management's application of the requirements of AASB 6 Exploration for and Evaluation of Mineral Resources ('AASB 6') in light of any indicators of impairment that may be present	Our procedures included, but were not limited to the following: • Assessing and evaluating management's assessment that no indicators of impairment existed in accordance with the requirements of AASB 6 Exploration for and Evaluation of Mineral Resources. • 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 license agreements and farm in agreements, and also considering whether the Group maintains the tenements in good standing. • Held enquiries with management and directors with respect to the status of ongoing exploration programs in the respective areas of interest and their future intentions and strategies. • The engagement team also reviewed supporting corroborative information such as ASX announcements and Board minutes of meetings to determine if any activities have been discontinued in any applicable areas of interest and identify any other facts or circumstances that would indicate impairment testing was required. • Assessing the reasonableness of the assumptions used on the Group's budgeted cash flows for the level of spending on its exploration projects through challenging management of the basis of the assumptions used and review of corroborative supporting information.

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 2018, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 31 to 37 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Sunstone Metals Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd

BDO

A J Whyte

Director

Brisbane, 14 August 2018

ADDITIONAL ASX INFORMATION

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

SHAREHOLDINGS

SUBSTANTIAL SHAREHOLDERS

The following are substantial shareholders within the Company as per announcements to ASX as at 10 August 2018.

Holders (above 5%)	Ordinary shares held	Interest held
Darren Carter	98,464,777	8.62%
Valbonne II	72,953,887	6.39%

CLASS OF SHARES AND VOTING RIGHTS

At 10 August 2018, there were 1,479 holders of the ordinary shares of the Company. The voting rights attached to the ordinary shares, set out in clause 12.7 of the Company's Constitution, are:

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

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

At 10 August 2018, there were options and performance rights over unissued ordinary shares. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised or the performance rights have vested.

ON-MARKET BUY-BACK

There is no current on-market buy-back.

DISTRIBUTION OF SHARE HOLDERS

(as at 10 August 2018)

	Number of holders	
Category	Ordinary shares	Options
1 – 1,000	78	1
1,001 – 5,000	31	2
5,001 – 10,000	21	-
10,001 – 100,000	610	9
100,001 and over	739	95
	1,479	**107**

There were 146 holders holding less than a marketable parcel of ordinary shares as at 10 August 2018.

UNQUOTED SECURITIES

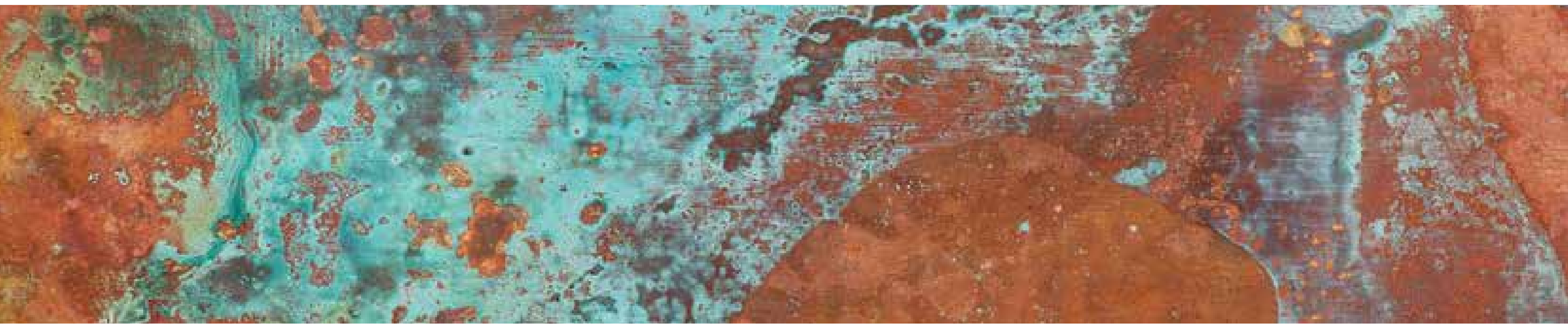
Options and performance rights on issue were allotted as part of an employee share option plan and performance rights plan and are unquoted.

RESTRICTED SECURITIES

There were no restricted securities as at 10 August 2018.

TWENTY LARGEST SECURITY HOLDERS AS AT 10 AUGUST 2018

Holder name	Ordinary Shares Number	%
MR DARREN CARTER	98,464,777	8.62
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	92,140,557	8.07
POTEZNA GROMADKA LTD	54,566,320	4.78
BNP PARIBAS NOMS PTY LTD <DRP>	49,703,636	4.35
MARILEI INTERNATIONAL LIMITED	43,813,160	3.84
MR MOHD FAIQ ABU SAHID	33,552,414	2.94
BT PORTFOLIO SERVICES LIMITED <WARRELL HOLDINGS S/F A/C>	29,633,333	2.59
CITICORP NOMINEES PTY LIMITED	25,618,327	2.24
WYNTORC SA	20,777,778	1.82
EQUITY TRUSTEES LIMITED <LOWELL RESOURCES FUND A/C>	13,139,105	1.15
PERSHING AUSTRALIA NOMINEES PTY LTD <INDIAN OCEAN A/C>	12,892,013	1.13
MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	11,724,603	1.03
J P MORGAN NOMINEES AUSTRALIA LIMITED	10,324,036	0.90
BB CAPITAL PTY LTD	10,000,000	0.88
HARSHELL INVESTMENTS PTY LTD <KAPLAN FAMILY A/C>	10,000,000	0.88
MR JAMIE PHEROUS <BLACK DUCK HOLDINGS A/C>	10,000,000	0.88
PRECISION OPPORTUNITIES FUND LTD <INVESTMENT A/C>	10,000,000	0.88
MR LIM HENG SUAN	9,893,633	0.87
MR GRAHAM LESLIE ASCOUGH + MRS PATRICIA LYNN ASCOUGH <ASCOUGH S/F A/C>	8,874,617	0.78
WILLSTREET PTY LTD	7,500,000	0.66
Total	**562,618,309**	**49.29**

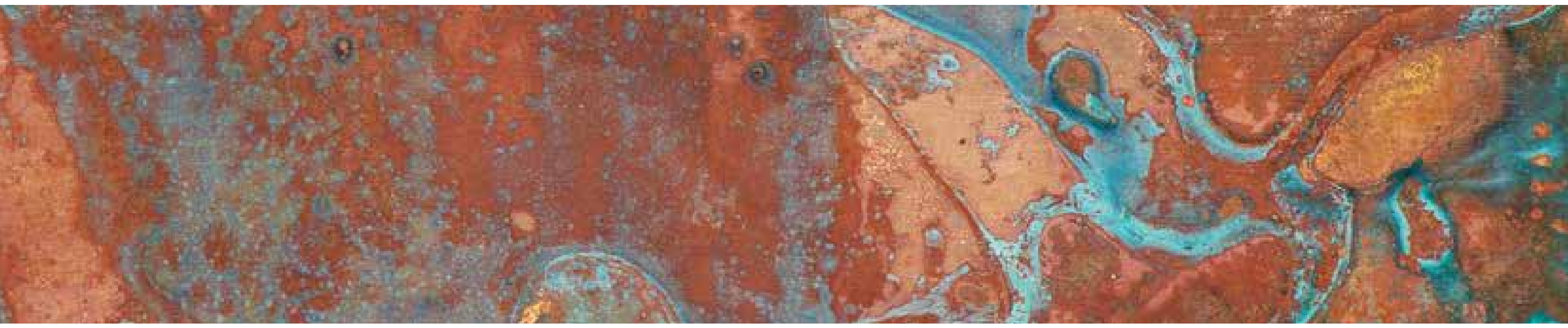


TWENTY LARGEST QUOTED OPTION HOLDERS AS AT 10 AUGUST 2018

Holder name	Quoted Options	
	Number	%
BT PORTFOLIO SERVICES LIMITED <WARRELL HOLDINGS S/F A/C>	11,500,000	7.43
WOODLANDS ASSET MANAGEMENT PTY LTD	11,250,000	7.27
ZENIX NOMINEES PTY LTD	11,250,000	7.27
MR DARREN CARTER	10,000,000	6.46
MR ROGER ADRIAN ALDRED PARKER + MRS MARGARET DENISE PARKER	9,343,000	6.03
MRS ANNA CARINA HART + MR PAUL HART <HART FAMILY SUPER FUND A/C>	8,659,022	5.59
KOJEN PTY LTD <KORSINCZKY FAMILY A/C>	7,000,000	4.52
MARILEI INTERNATIONAL LIMITED	5,000,000	3.23
MR KEVIN MICHAEL MEEHAN + MRS ELIZABETH MARY MEEHAN <HUDSON 105 SUPER FUND A/C>	5,000,000	3.23
POTEZNA GROMADKA LTD	5,000,000	3.23
GURRAVEMBI INVESTMENTS PTY LTD <THE GURRAVEMBI S/FUND A/C>	4,000,000	2.58
MR SAM ROBIN HAMMOND	3,988,907	2.58
INSYNC EQUITY SERVICES PTY LTD	3,870,000	2.50
MR MATTHEW ROBERT GHISLA	3,196,386	2.06
HAUSTELLA PTY LTD <RANSOM FAMILY A/C>	2,625,000	1.70
MR KAH HOWE CHAN	2,500,000	1.61
AL EL DEVELOPMENTS PTY LTD	2,370,000	1.53
MR NEAL BRENT BIRCHALL	2,227,141	1.44
RED DOG FUND PTY LTD <ARCHIBALD FUND A/C>	2,125,000	1.37
DR MARK ANTHONY BENNETT	2,000,000	1.29
MRF CAPITAL PTY LTD <MAYNE RETIREMENT FUND A/C>	2,000,000	1.29
Total	**114,904,456**	**74.21**

OTHER INFORMATION

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



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