

# ANNUAL REPORT

SUNSTONE METALS LIMITED

2021



A close-up photograph of a heavily rusted metal surface, likely a piece of machinery or a pipe. The rust is a mix of dark brown, orange, and grey, with some areas where the metal is still visible. The background is a blurred, warm-toned gradient.

# CORPORATE DIRECTORY

## **DIRECTORS**

Graham Ascough – Non-Executive Chairman

Malcolm Norris – CEO/Managing Director

Stephen Stroud – Non-Executive Director

## **COMPANY SECRETARY**

Gavin Leicht

## **SECURITIES EXCHANGE LISTING**

Sunstone Metals Limited shares are listed on the Australian Securities Exchange

Ordinary fully paid shares

**ASX Code: STM**

## **AUDITOR**

**BDO Audit Pty Ltd**

Level 10/12 Creek Street  
Brisbane Qld 4000

## **SHARE REGISTRY**

**Computershare Investor Services Pty Ltd**

200 Mary Street  
Brisbane QLD 4000

## **BANK**

**National Australia Bank Limited**

Level 23, 100 Creek Street  
Brisbane Qld 4000

Investor Enquiries: 1300 850 505

**W:** [computershare.com.au](http://computershare.com.au)

## **REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS**

Australia

9 Gardner Close  
Milton Qld 4064

**T:** 07 3368 9888

**F:** 07 3368 9899

**W:** [sunstonemetals.com.au](http://sunstonemetals.com.au)

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

# CONTENTS

Chairman's Review .....	4
Operating Review .....	5
Tenement Schedule .....	16
Directors' Report .....	17
Remuneration Report .....	20
Auditor's Independence Declaration .....	27
Corporate Governance Statement .....	29
Financial Report	
Consolidated Statement of Profit or Loss and Other Comprehensive Income .....	34
Consolidated Statement of Financial Position .....	35
Consolidated Statement of Changes in Equity .....	36
Consolidated Statement of Cash Flows .....	37
Notes to the Financial Statements .....	38
Directors' Declaration .....	62
Independent Audit Report to the Members .....	63
ASX Additional Information .....	67

# CHAIRMAN'S REVIEW

8 September 2021

Dear Fellow Shareholders,

On behalf of the Board of Directors, it is my pleasure to present the 2021 Annual Report for Sunstone Metals Limited ('Sunstone' or 'Company'), and to thank all shareholders for your continued support of Sunstone.

Sunstone, like many other companies, has been impacted by the global COVID-19 pandemic resulting in management being unable to travel to Ecuador from March 2020. Fortunately the exploration team in Ecuador has stepped up and have implemented exploration programs under the direction of the Australia based team, and under strict operating procedures to responsibly manage the risks associated with COVID-19. As such we have had an active year with a considerable amount of drilling at our Bramaderos project in Southern Ecuador and early exploration activities in the lead up to drilling at El Palmar in the north.

Drilling is now under way at El Palmar where we are targeting a significant copper-gold porphyry system with coincident circular magnetic and soil geochemical anomalies. El Palmar is located in northern Ecuador in the vicinity of the 1.0Bt Llurimagua copper-molybdenum porphyry deposit, and in the same regional structural belt that hosts the 2.6Bt Alpala copper-gold deposit within the Cascabel project.

The ongoing drill programs at the Brama porphyry target continue to deliver good broad gold-copper intervals highlighting the potential for Brama to host a substantial gold-copper porphyry system.

Significant silver and gold mineralisation was also identified at the Espiritu epithermal target on the Bramaderos project. It is still early days in the exploration of this system, and we are still developing models for the style and geometry of mineralisation, which will enable better targeting of the higher-grade areas in future drill programs on the other epithermal targets that have been identified within the Bramaderos concession.

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

During the year, the company monetised a portion of its investment in Swedish listed exploration company, Copperstone Resources AB (listed on Nasdaq Sweden First North) which realised cash of approximately \$17 million through sale of shares and agreeing to an early payout of an at-risk contingent portion of consideration in the original purchase agreement. At the end of the year the Company held \$12.2 million in cash and the value of our remaining interest in Copperstone was \$11.6 million, providing a very healthy balance sheet for the Company.

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

Yours sincerely



Mr Graham Ascough  
Chairman

# OPERATING REVIEW

## FOR THE YEAR ENDED 30 JUNE 2021

### INTRODUCTION

**Sunstone Metals Limited** (“Sunstone” or “Company”) is an exploration and mineral development company, focussed on creating value for shareholders from Gold-Copper Projects in Ecuador, and the shareholding in Copperstone Resources AB. Value for shareholders will be created by:

- Exploring and drill testing the Bramaderos Gold-Copper Project and the El Palmar Copper-Gold Project in Ecuador, working towards repeating the Sunstone team’s previous success of significant discoveries of porphyry copper-gold systems and delivering shareholder value growth; and
- Evaluating potential new opportunities to continue to grow our business in Ecuador to add to our portfolio which, in 2020-21, resulted in the agreement to acquire the highly prospective El Palmar project in Northern Ecuador.

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

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

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

Sunstone, like many other companies, has been impacted by the global COVID-19 pandemic. Sunstone takes the welfare of its employees very seriously and has implemented strict operating procedures to responsibly manage the risks associated with COVID-19, and will review plans frequently to ensure that the company is managing the Covid-19 risk appropriately and in-line with government directives.

As the Company is an exploration entity there is not yet any sales revenue being generated from sale of products and therefore the entity’s financial condition has not been severely affected by the impact of the COVID-19 pandemic.

### COMPANY HIGHLIGHTS

- Acquisition of the highly prospective El Palmar Copper-Gold Porphyry Project in Northern Ecuador through a Staged Acquisition Agreement;
- Advancing the El Palmar Project through the early exploration stage to commence drilling in July 2021;
- Continued strong results from exploration activities at the Bramaderos Gold-Copper Project;
- Monetising approximately \$17 million during the year from both the sale of shares in Copperstone Resources AB and securing an early payout of the at-risk contingent consideration that was not anticipated to be received for many years; and
- Securing the sale of the Southern Finland Gold Project to ASX listed NewPeak Metals Ltd (ASX:NPM) and Hong Kong listed Dragon Mining.

# PROJECT OVERVIEW

## BRAMADEROS GOLD-COPPER PORPHYRY PROJECT

### SUNSTONE 87.5%

The Bramaderos Project is located in Loja province, southern Ecuador, some 90km (1.5-hour drive) from the city of Loja and is considered to be highly prospective for the discovery of large gold-copper deposits. Easy access is provided by the sealed Pan American Highway that crosses the western part of the concession. The area has nearby available hydro-power, and gentle topography with an average elevation of around 1,100m above sea level. Gold and copper mineralisation outcrops at surface.

Multiple targets have been defined and strengthened based on the integration of all exploration data from the Bramaderos Gold-Copper Project. The defined areas of interest comprise 6 targets for porphyry gold-copper, and several targets for epithermal silver-gold-base metal mineralisation.

## BRAMA TARGET

At the Brama target, a large complex magnetic body has been modelled with a vertical depth extent of 1km and a surface expression that coincides with the areas of best historical drilling and significant gold anomalism defined in soil and rock sampling and an extensive trenching program.

Ten diamond drill holes have been completed by Sunstone into the Brama gold-copper porphyry target up to 30 June 2021 (refer to ASX announcements dated 9

May 2018, 18 July 2019, 20 August 2019, 26 August 2019, 29 October 2019, 3 December 2019 21 January 2020, 25 February 2020, 22 April 2021 and 21 June 2021).

Drilling resumed for phase 2 at the Brama gold-copper porphyry target in February 2021. Hole BMDD008 intersected a strongly mineralised high-level intrusive breccia body located on the north-west edge of the main Brama system. The BMDD008W1 wedge hole extended that intersection by 50m to intersect a 505m-long intersection from surface (Figure 3). This intersection very likely extends deeper, but still remains to be further tested in the area south and east of BMDD008W1 in similarly magnetic domains (Figures 2 and 3).

The results from holes BMDD008 and BMDD008W1, further highlight the potential for Brama to host a substantial gold-copper porphyry system. The porphyry plus intrusive breccia zones, at this stage, cover a surface footprint of 350m x 150m, which we expect can be expanded with more drilling.

Drill hole BMDD009 was drilled in the east and central parts of the main Brama porphyry system. It was drilled from the east and towards a modelled deep magnetic anomaly that lies central to the 0.1% Cu contour depicted in Figure 2. The drillhole intersected a continuously veined porphyry system hosted by diorite in its upper 515m, with visual chalcopyrite associated with intense stockwork veining. The drill hole continued to test the deeper magnetic domain, that corresponds to the deeper target in BMDD008 and BMDD008W1, and encountered peripheral stockwork magnetite veinlets that likely explain the magnetic anomaly in the wall rocks south of the main mineralised intrusive body.

The long and well-mineralised sections of holes BMDD001, BMDD002 and BMDD009 indicate that the main porphyry target on the eastern sector of Brama is defined by strongly veined diorite with moderate magnetic character.



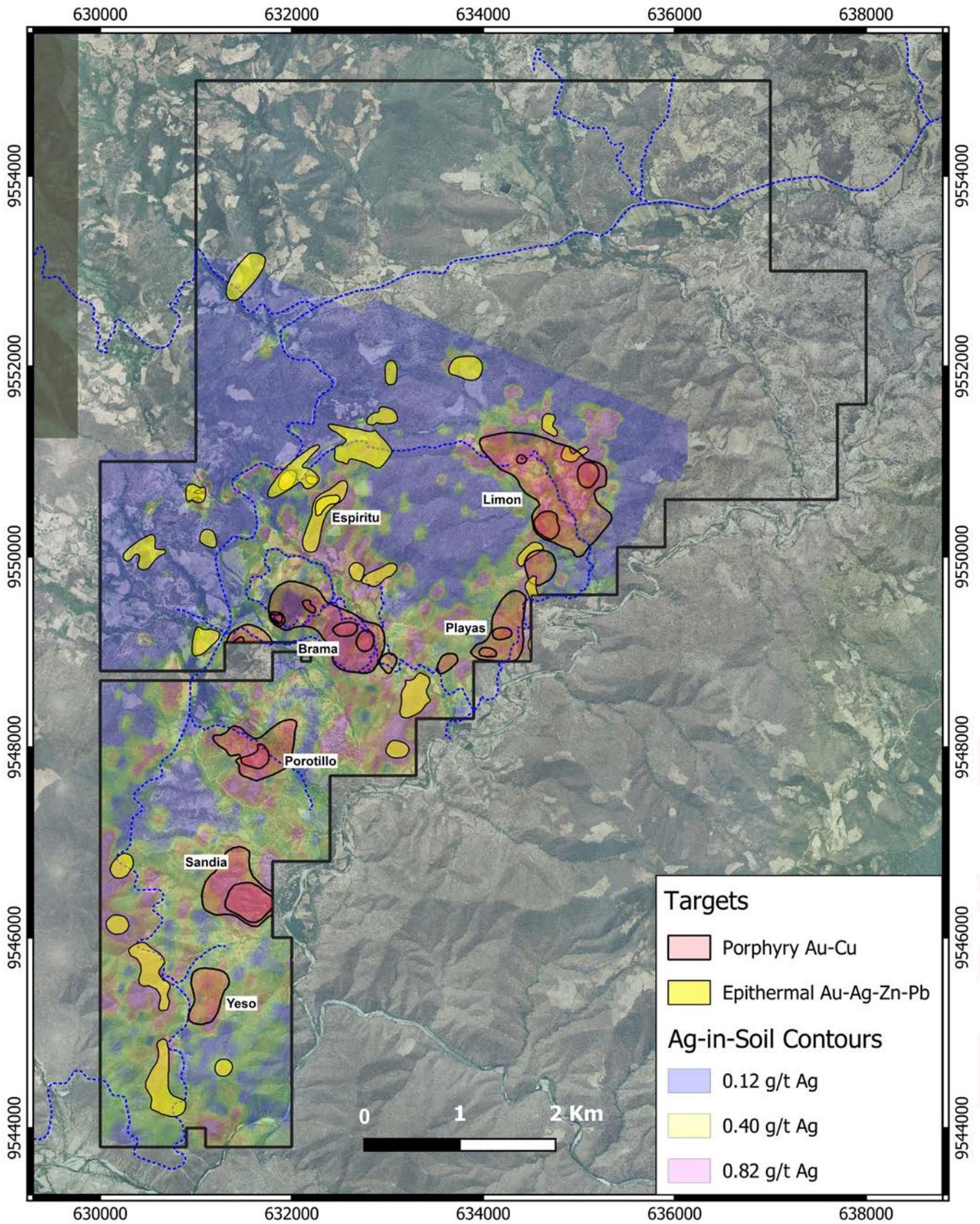


Figure 1: Bramaderos concession showing the location of the 6 porphyry gold-copper targets and the Espiritu epithermal silver-gold-lead-zinc target.

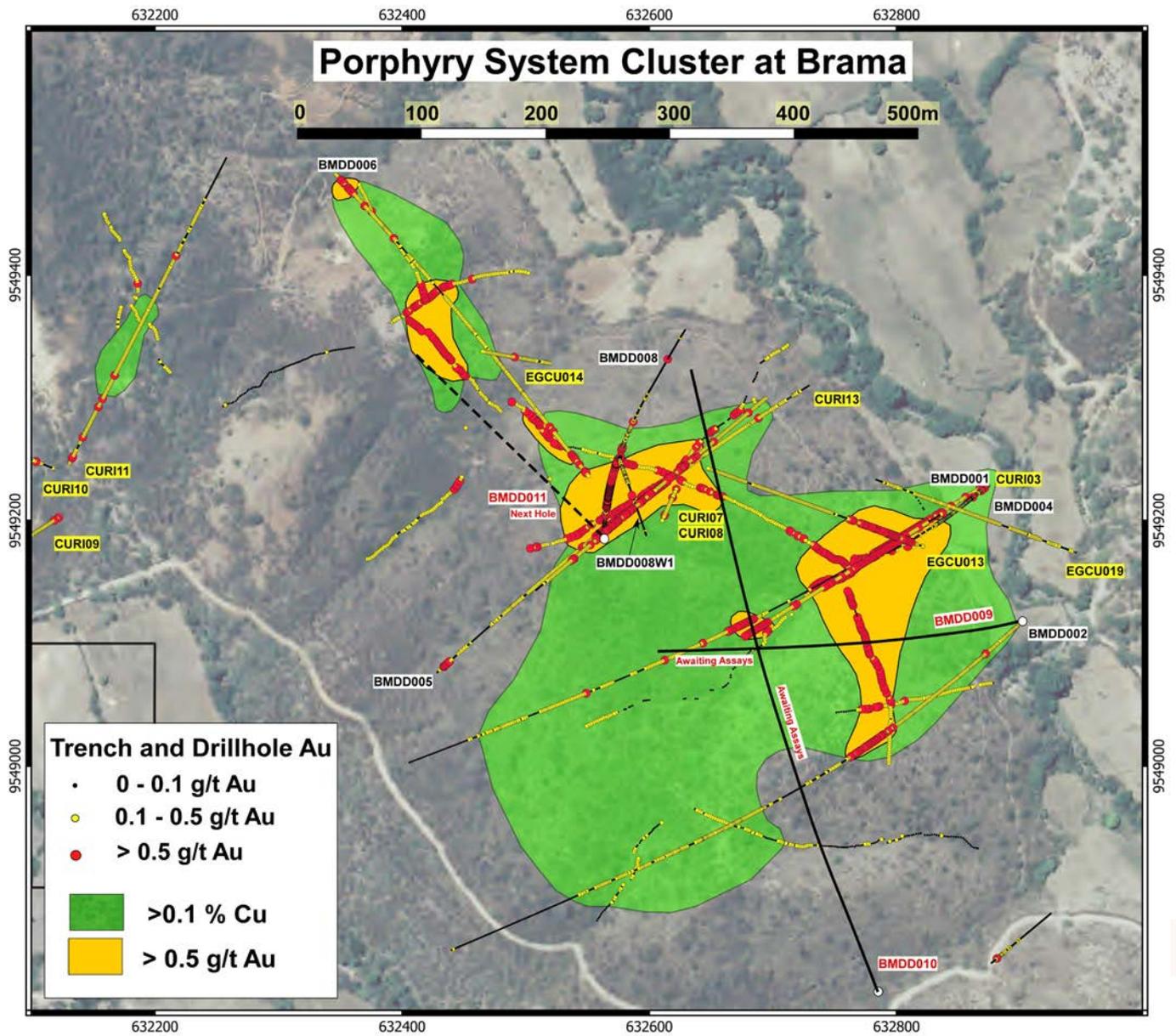


Figure 2: Brama gold-copper porphyry plan view showing higher grade gold domains (yellow) within a broad lower grade copper halo (green) covering 700m x 500m. Also showing locations and results for holes BMDD008 and W1, locations for completed holes BMDD009, 10 and 11.

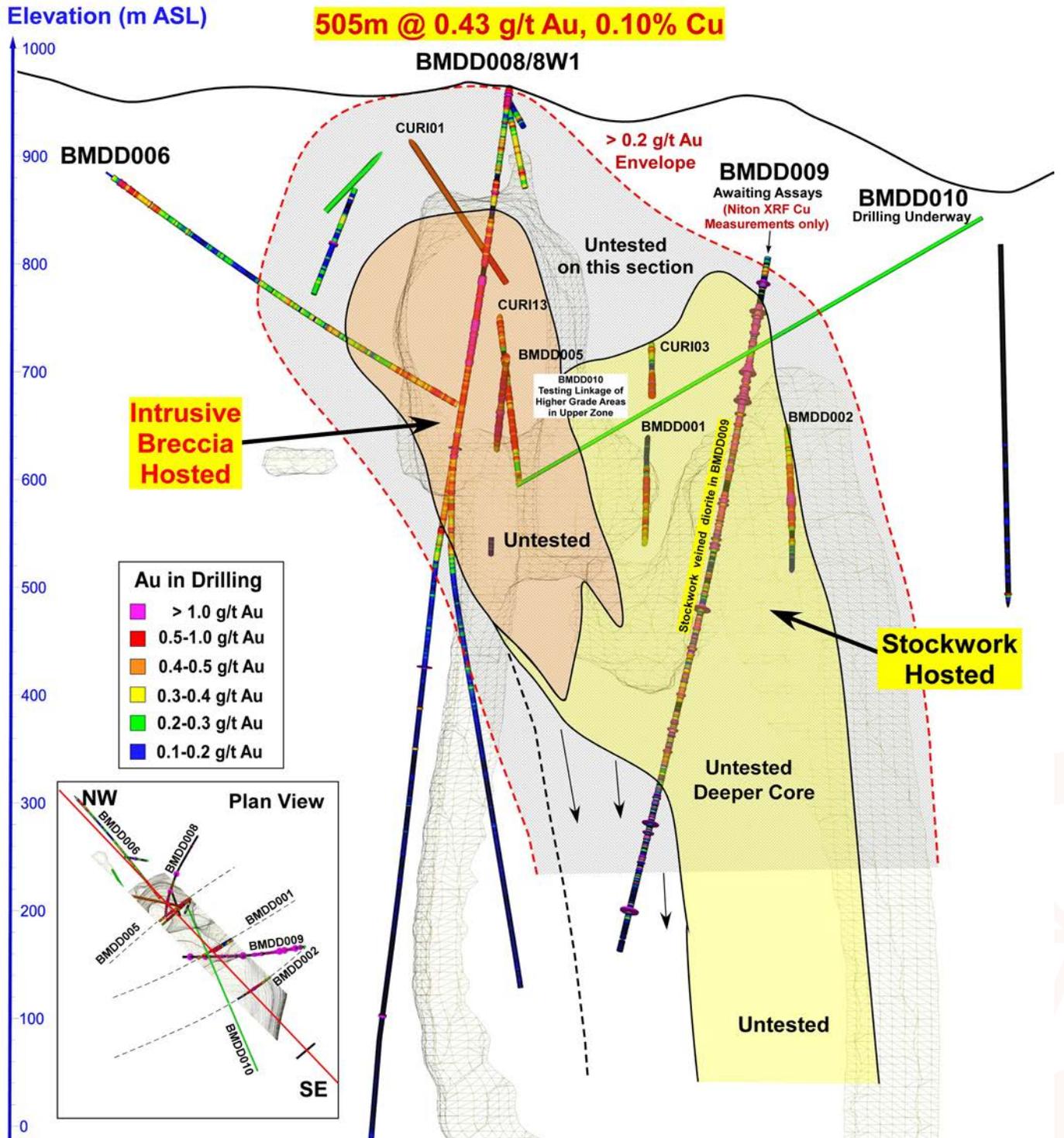


Figure 3: Brama cross section showing geological model and relationship between stockwork veined diorite mineralisation and intrusive breccia hosted mineralisation.

## ESPIRITU SILVER-GOLD TARGET

Eleven drill holes totalling approximately 3,400m were completed during the year at the Espiritu silver-gold target, where results from the first trench (refer to ASX announcement dated 13 July 2020), returned very encouraging high grades of silver, lead, and zinc with associated gold over a width of 4m (415g/t silver, 0.9g/t gold, 6.9% zinc and 6% lead) within a broader zone of 21m grading 82.4 g/t silver.

Drill hole ESDD005 intersected three significant intervals of silver-gold-zinc-lead mineralisation including 2.4m at 104g/t silver, 0.7g/t gold, 3.4% zinc, 1.6% lead from 145.8m, 1.1m at 1069g/t silver, 0.2g/t gold, 5.5% zinc, 1.3% lead from 225.5m, and 11.6m at 167g/t silver, 0.2g/t gold, 2.1% zinc, 0.8% lead from 259.1m.

Drill hole ESDD009 delivered the highest gold grades we have seen in the system including 0.6m at 154g/t silver, 6.46g/t gold from 371.4m (140m below surface), within 2.5m at 65.9g/t silver, 1.63g/t gold from 369.5m (refer to ASX announcement dated 17 March 2021)

All data from Espiritu are now being reviewed to plan the next phase of drilling. This will likely include drilling at Espiritu Southeast (Figure 4) where Espiritu style veining is present at surface and corresponds with a cluster of zinc and silver-in-soil anomalies over a strike length of 400m.

It is still early days in the exploration of this system, and Sunstone is still developing models for the style

and geometry of mineralisation, which will in turn enable better targeting of the higher-grade areas.

Other epithermal targets have been identified within the Bramaderos concession and will be scheduled for further exploration and drilling.

## OTHER TARGETS

At Limon 4 drillholes were completed into the main target and all intersected significant alteration and weak copper-gold-molybdenum mineralisation consistent with being in close proximity to a large porphyry system. Significantly, LMDD004 (refer ASX announcement dated 15th October 2019) intersected a 'high sulphidation' epithermal system in a shallow position that could develop into an exploration target in its own right.

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

Melonal, Porotillo and Sandia all present similar relationships.

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



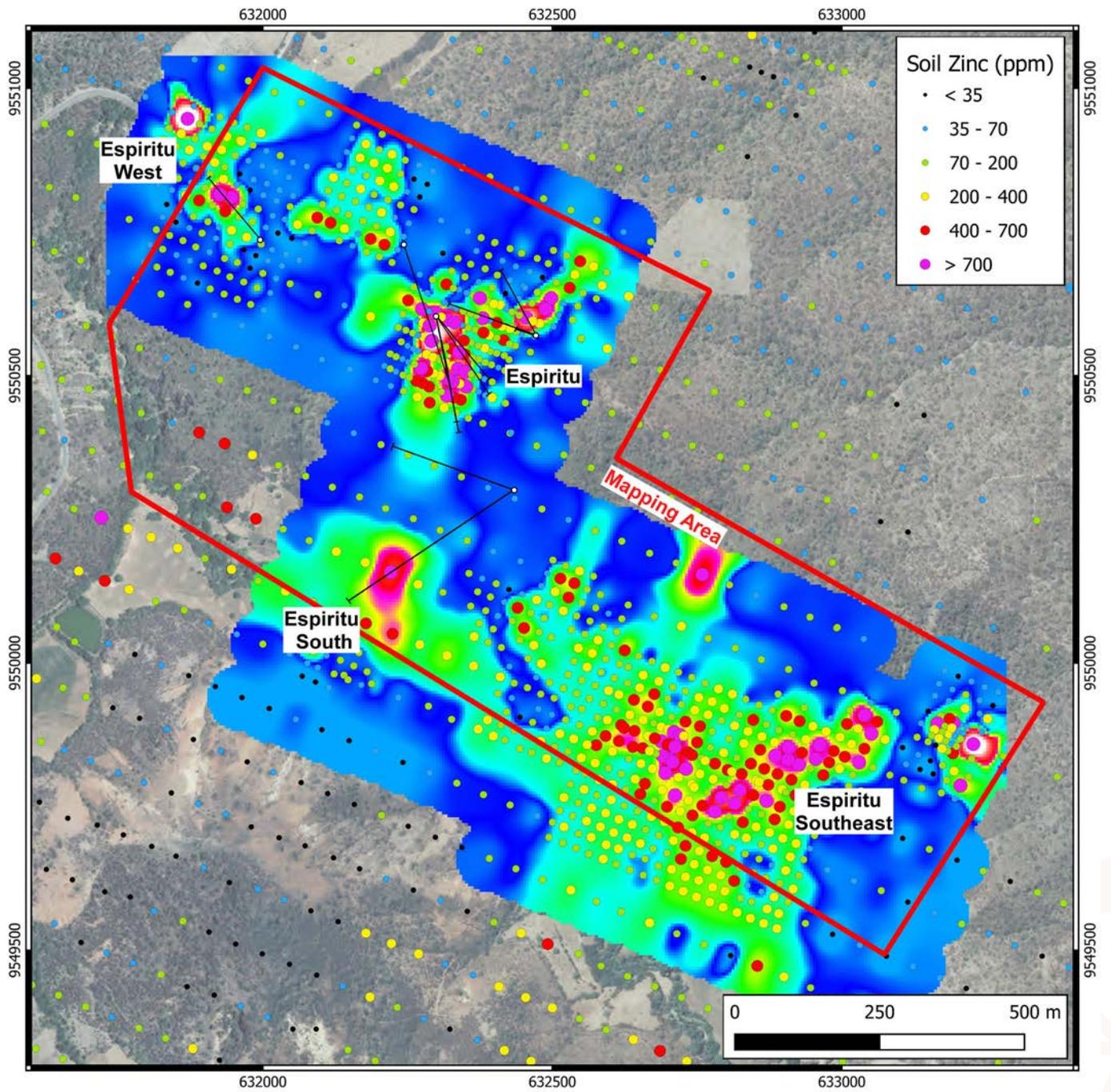


Figure 4: Status of the broader Espiritu target area with infill soil geochemistry highlighting multiple anomalies for follow-up.

# EL PALMAR COPPER-GOLD PORPHYRY PROJECT – NORTHERN ECUADOR

## SUNSTONE ACQUIRING UP TO 100%

On 12 August 2020 the Company announced that it had agreed to the staged acquisition of the El Palmar copper-gold porphyry project in Ecuador as part its strategy to expand its land holdings in Ecuador on projects which pass our technical and commercial criteria and offer the potential for significant resource discoveries.

The property is located 60km north-west of Ecuador's capital Quito and is well serviced by several sealed highways leading to both the country's capital (Quito) and international ports. Travel time to site from Quito is approximately 3 hours. The property sits on the regionally significant Toachi Fault Zone, which is considered important for localising other porphyry copper deposits such as the 2.7Bt Alpala (Cascabel) and 1Bt Llorimagua deposits (Figure 5).

El Palmar is a highly promising copper-gold porphyry target. Broad-spaced historical exploration results define a 600m diameter area of anomalous copper and gold that has not been adequately tested with drilling. Three diamond drill holes were completed by a previous explorer (Codelco) at El Palmar in 2012 and delivered significant intersections of copper and gold in a porphyry environment. The previous explorer withdrew soon after completion of drilling due to a decision in 2012 to cease exploration in Ecuador.

The upper 33-51m of each of the 3 historic drill holes from 2012 had not been previously sampled and assayed. Sunstone has now done this, and the results returned encouraging intervals of gold-copper mineralisation, up to 0.9g/t gold and 0.26% copper over individual samples of ~1.0m (see ASX announcement dated 21 January 2020), adding to the previously defined mineralised areas.

New intersections from the sampling of historic drillholes include (refer to ASX Announcement dated 21 January 2021):

- EPD-02: 35.4m @ 0.34 g/t Au, 0.18% Cu from 8.12m, adding to the 34.5m historical intersection of 0.31g/t gold and 0.16% copper.
- EPD-01: 16.9m @ 0.20 g/t Au, 0.13% Cu from 12.89m, adding to the 186m historical intersection of 0.33g/t gold and 0.16% copper.

Sunstone has re-logged the historical drill core and identified widespread trace bornite. The assay results together with the logging confirm a well mineralised porphyry with the current interpretation suggesting the historical drill holes passed over the top of, and to the side of the main target zone.

Importantly, thin younger volcanic cover was intersected in drill core from surface. This material masks the porphyry mineralisation hence limiting significantly the surface expression of the El Palmar system.

Sunstone has also recently undertaken a detailed ground magnetics survey. Processing of that data has defined a large anomaly with a diameter of ~700m exhibiting features consistent with a large porphyry system (Figure 6).

A Phase 1, 2,000m drilling program commenced in August 2021 targeting the upper 400m of the magnetic feature.

The first drill hole, EPDD001, was completed in August 2021, intersecting a copper mineralised porphyry system from surface. The hole was designed to test the magnetic anomaly west of known mineralisation from historical drilling and to drill under the highest grade gold in surface rock chips, where values up to 2.24g/t gold and 0.3% copper have been recorded. The second hole, EPDD002, has also been completed from the same drill pad as the first and drilled to the NNE of EPDD001 to also test the circular magnetic domain and to drill under the best mineralisation intersected in the historical Codelco hole EPD01 that appeared to drill above the main magnetic target.



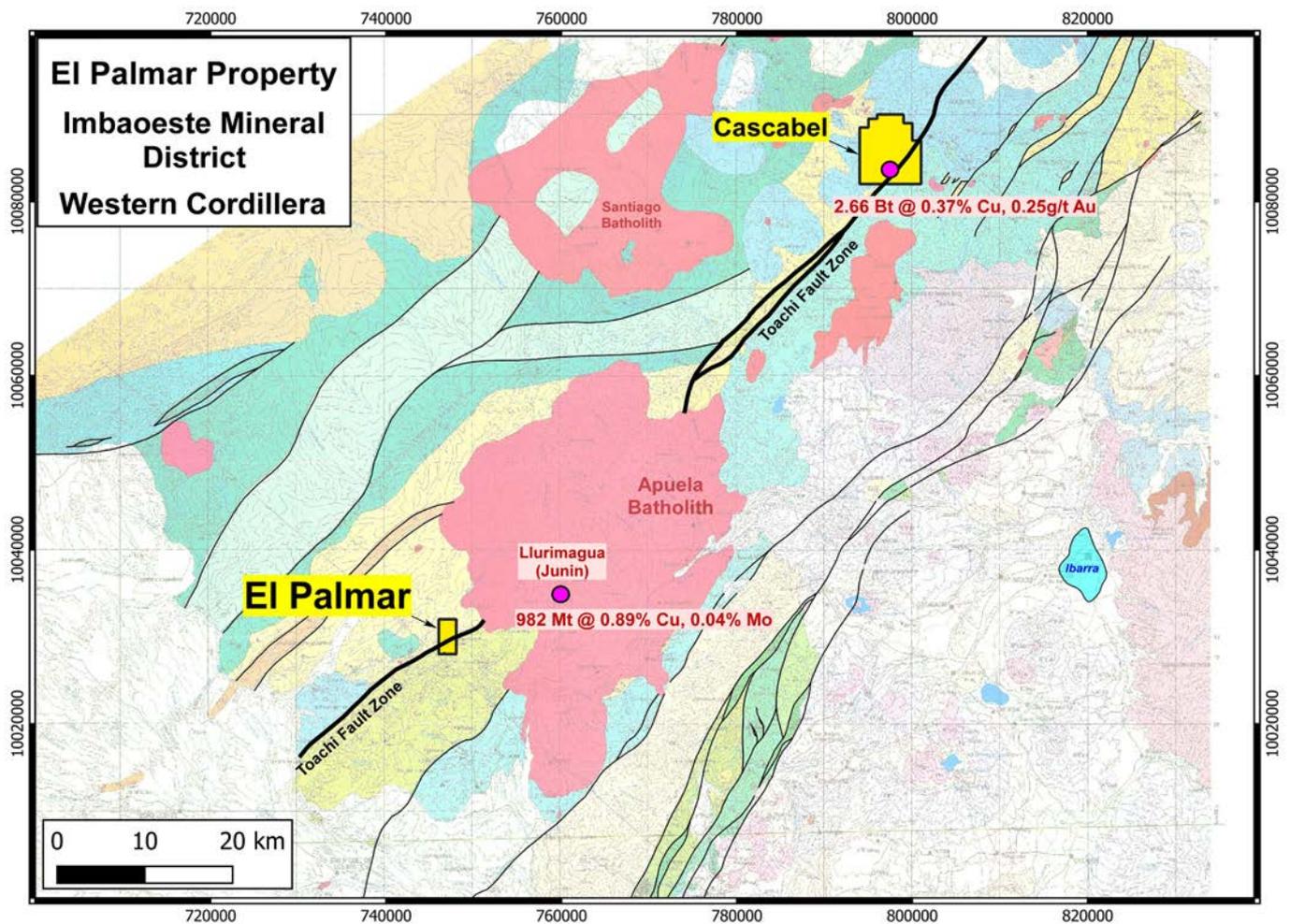


Figure 5: Location of the El Palmar project relative to the Llurimagua and Cascabel Alpa deposits, and the Toachi fault system.

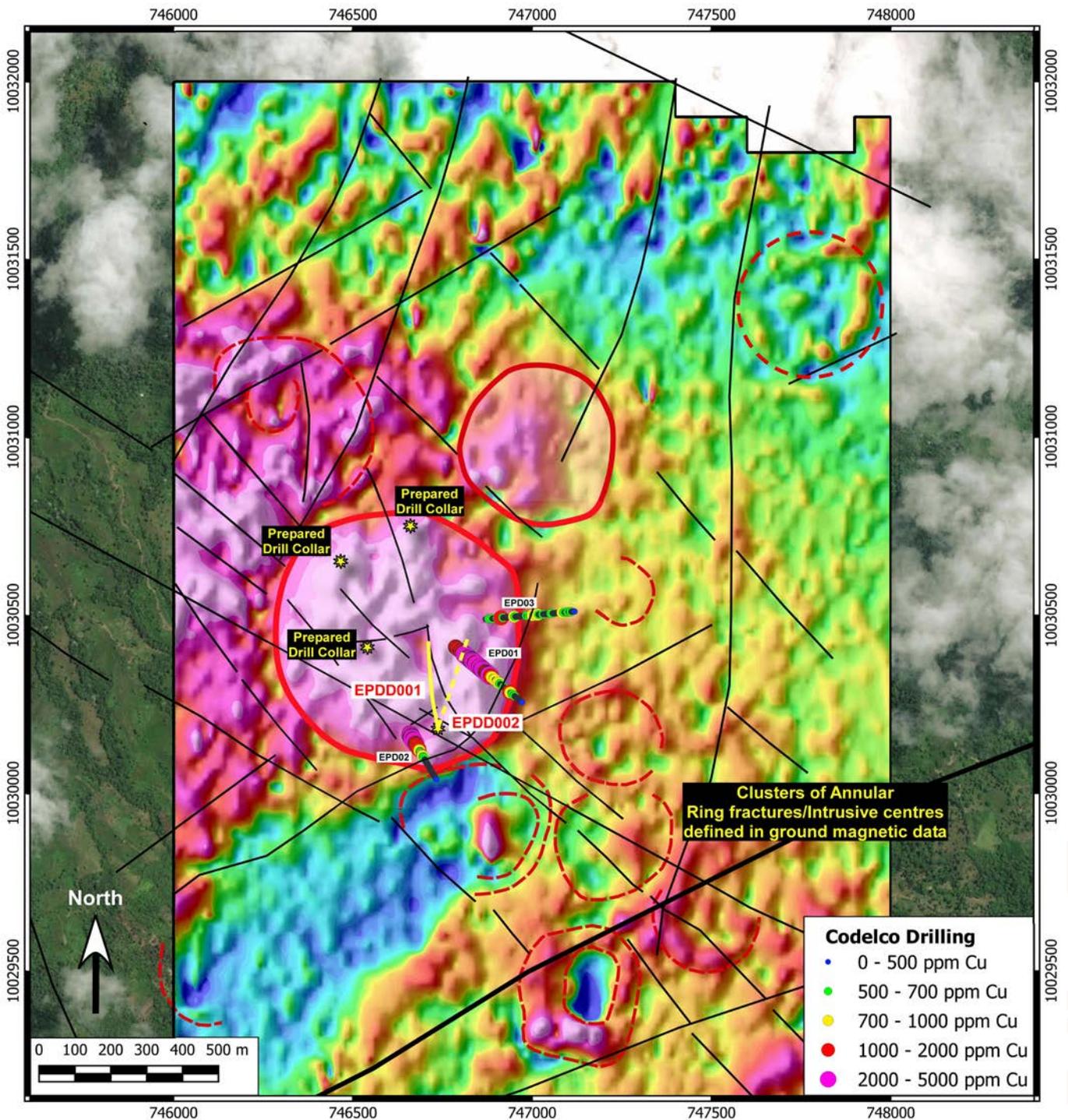


Figure 6: RTP magnetics image showing the circular magnetic anomaly being targeted with drilling. Sunstone drill holes EPDD001 and EPDD002 are shown in yellow. Also shown are three historical drill holes, which drilled away from the target area, and the prepared drill collars to allow for future drilling (see ASX announcement dated 12th August 2020 for details of historical drilling results).

## SOUTHERN FINLAND GOLD PORTFOLIO

During the financial year ending 30 June 2021 Sunstone sold its interests in the Southern Finland Gold portfolio in two transactions. The first transaction was the sale of the Exploration Permit application ML2018:0082 (which surrounds the Jokisivu gold mine) to Hong Kong listed Dragon Mining for A\$150,000. This transaction was completed in June 2021.

The second transaction was a Share Sale Agreement whereby Sunstone sold its Finnish subsidiary, Kultatie Holding Oy, the holder of the Southern Finland Gold Project, to ASX listed NewPeak Metals (ASX:NPM).

The terms of the Share Sale Agreement are (1) NPM to pay Sunstone A\$75,000 cash (concluded), and (2) NPM to issue A\$250,000 worth of NPM shares (concluded), and (3) a milestone payment of A\$1.5 million cash payable upon delivery of at least 450,000 ounces of gold in Measured and Indicated Resources from the acquired permits.

## LITHIUM PORTFOLIO

Sunstone's 100% owned subsidiary Scandian Metals Pty Ltd (Scandian) holds an 83.6% interest in the Finland Lithium project that include the Kietyönmäki lithium occurrence which was discovered by the Finnish Geological Survey (GTK) in the mid-1980's.

During the financial year ending 30 June 2021 Sunstone announced that it has signed a non-binding Letter of Intent (LoI) to divest its Finland Lithium project to Canadian Securities Exchange-listed United Lithium Corp ('CSE:ULTH').

Consideration payable to Sunstone on closing and signing of the Definitive Agreement is C\$420,000 cash and 420,000 shares in United Lithium, valued at C\$331,800 as at 30 June 2021, which converts to approximately A\$808,000.

The Letter of Intent is non-binding and if a definitive agreement is not reached Sunstone will retain its 83.6% ownership in the project unencumbered.

There was no significant field activity during the year.

## INVESTMENT IN COPPERSTONE RESOURCES AB

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

As at 30 June 2021 Sunstone held 61,638,652 shares in Copperstone (~5.6 per cent of the shares on issue), and thus retains significant exposure to Viscaria.

Copperstone's share price has increased significantly since 30 June 2020, where Sunstone's investment was worth \$16.7 million (160 million shares at 0.67 SEK). During the financial year ended 30 June 2021 Sunstone sold a total of 98,361,348 shares held in Copperstone realising ~\$12.7 million in cash, with the remaining shares held at year end valued at ~\$11.6 million (61,638,652 shares at 1.21 SEK).

Since the closing of the transaction to sell Viscaria to Copperstone, Sunstone has to date received cash of approximately \$23.1 million (comprising 35 million Swedish Kronor (MSEK) equal to approximately \$5.4 million, 12.5 million shares in lieu of 5 MSEK cash owed plus interest, sold on market for ~\$0.9m, 26 MSEK in cash for early payout of the at-risk contingent tranche 2 consideration due upon receipt of an environmental permit equal to approximately \$4.1 million and sale of 98,361,348 of the 160 million shares in Copperstone for 81.6 MSEK equal to approximately \$12.7 million).

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

# TENEMENT SCHEDULE

## GOLD-COPPER TENEMENTS - ECUADOR

Tenement Holder	Tenement Name	Location	Status	Sunstone Ownership
La Plata Minerales S.A.	Bramaderos <sup>^</sup>	Loja, Ecuador	Granted	87.5%
Golden Exploration Ecuador S.A.	El Palmar <sup>#</sup>	Ibarra, Ecuador	Granted	0%

## LITHIUM TENEMENTS - FINLAND

Tenement Holder	Tenement Name	Location	Status	Sunstone Ownership
Litiumloydos Oy	Tammela <sup>*</sup>	Somero, Finland	Granted	83.6%
Litiumloydos Oy	Ojalankulma <sup>*</sup>	Somero, Finland	Application	83.6%

<sup>^</sup>Sunstone announced on 7 January 2020 that the terms of the Earn-in Joint Venture with TSX-V listed Cornerstone Capital Resources (TSXV:CGP) had been amended to provide Sunstone with an immediate 87.5% interest and Cornerstone with a loan carried 12.5% interest in La Plata Minerales S.A. (PLAMIN) the holder of the Bramaderos concession.

<sup>#</sup> Subject to Staged Acquisition Agreement to acquire 100%.

<sup>\*</sup> Subject to earn-in joint venture with Nortec Minerals Corp.



# 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 2021.

## DIRECTORS

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

Mr Graham Ascough Non-Executive Chairman

Mr Malcolm Norris CEO & Managing Director

Mr Stephen Stroud Non-Executive Director

## PRINCIPAL ACTIVITIES

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

## DIVIDENDS

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

## REVIEW OF OPERATIONS

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

A summary of consolidated other income and results is set out below:

	2021 \$	2020 \$
Other income	333,466	165,004
Profit/(loss) before income tax	3,224,218	4,553,829
Income tax expense	-	-
Profit/(loss) attributable to members of Sunstone Metals Limited	3,228,929	4,562,120
Profit/(loss) attributable to non-controlling interests	(4,711)	(8,291)
<b>Earnings per share</b>	<b>2021</b>	<b>2020</b>
	<b>cents</b>	<b>cents</b>
Basic and diluted earnings per share	0.1	0.3

### Financial Performance

During the year ended 30 June 2021 the Group earned a profit of \$3,224,218 (2020: profit of \$4,553,829). The profit is largely due to reversal of impairment expenses from prior year relating to the market value of the investment in Copperstone Resources AB (“Copperstone”) as well as gains on the sale of Copperstone shares.

### Financial Position

The Company's non-current assets decreased from \$38,875,365 at 30 June 2020 to \$31,923,061 at 30 June 2021 due to the early payout of future consideration to be received from Copperstone and the sale of 98,361,348 shares of the 160 million shares held in Copperstone, offset by expenditure incurred on the Bramaderos Project in Ecuador. The Company's current assets increased significantly from \$3,872,246 at 30 June 2020 to \$12,210,099 at 30 June 2021 due to cash received from the sale of Copperstone shares and the early payout of future consideration that was to be received from Copperstone.

## DIRECTORS' REPORT CONTINUED

At the end of the financial period, the Group had cash balances of \$12,171,240 (2020 \$3,686,349) and net assets of \$43,336,675 (2020: \$42,001,741). Total liabilities amounted to \$796,484 (2020: \$745,871) and included trade, other payables, lease liabilities and provisions.

During the year, the Company had no movement in contributed equity.

### EVENTS OCCURRING AFTER REPORTING DATE

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

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

### ENVIRONMENTAL REGULATION

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

### DIRECTORS

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

#### CURRENT DIRECTORS:

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

*Member of the Audit and Financial Risk Committee*

#### *Experience and expertise*

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

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

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

#### *Other directorships of listed companies in the past three years*

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

Mithril Resources Limited (appointed 9 October 2006; Ceased 15 May 2019)

Musgrave Minerals Limited (appointed 26 May 2010)

Black Canyon Limited (appointed 25 August 2013; Company listed on ASX 5 May 2021)

## DIRECTORS' REPORT CONTINUED

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

Member of the Audit and Financial Risk Committee

### Experience and expertise

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

Mr Norris holds an MSc in Geology and a Masters in Applied Finance. He has more than 35 years of industry experience including 23 years with WMC Resources, followed by roles with Intrepid Mines and SolGold.

### Other directorships of listed companies in the past three years

Magmatic Resources Limited (appointed 20 December 2016; Ceased 3 February 2020)

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

Chairman of the Audit and Financial Risk Committee

### Experience and expertise

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

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

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

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

## COMPANY SECRETARY

**Mr Gavin Leicht** (appointed 28 April 2015)

Mr Leicht has over 25 years experience in various financial roles, including 20 years in senior financial positions in the resources sector in Australia and overseas with Rio Tinto Limited and PanAust Limited. Mr Leicht holds a Bachelor of Commerce degree from the University of Newcastle. He 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 2021. The number of meetings attended by each Director were:

	Meeting of Directors		Audit and Financial Risk Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Mr Graham Ascough	8	8	2	2
Mr Malcolm Norris	8	8	2	2
Mr Stephen Stroud	8	8	2	2

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

# REMUNERATION REPORT (AUDITED)

## KEY MANAGEMENT PERSONNEL

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

For the purposes of this report, the term “executive” encompasses the Chief Executive, Senior Executives, General Managers and the Chief Financial Officer & Company Secretary of the Group.

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

## DIRECTORS OF THE COMPANY

### Chairman

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

### CEO & Managing Director

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

### Non-Executive Directors

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

## OTHER KEY MANAGEMENT PERSONNEL

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

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

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

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

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

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

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

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

## REMUNERATION REPORT (AUDITED) CONTINUED

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

Alignment to shareholders' interests:

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

Alignment to program participants' interests:

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

The overall level of executive reward takes into account the performance of the Group. The Group is involved in mineral exploration and does not generate any revenue from product sales and therefore growth in earnings is not considered relevant. Shareholder wealth is dependent upon exploration success and has fluctuated accordingly.

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

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

### EXECUTIVE PAY

The executive pay and reward framework has two components:

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

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

### FIXED REMUNERATION

#### BASE SALARY

Base salary is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits. Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for senior executives is reviewed annually to assess if the executive's pay is competitive with the market.

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

#### NON-MONETARY BENEFITS

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

#### POST-EMPLOYMENT BENEFITS

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

## REMUNERATION REPORT (AUDITED) CONTINUED

### LONG-TERM BENEFITS

Long-term benefits include long service leave entitlements.

### VARIABLE REMUNERATION

#### LONG TERM INCENTIVE (EMPLOYEE PERFORMANCE RIGHTS PLAN)

At the discretion of the Board, employees can be invited to participate in the Company's Employee Performance Rights Plan. The issue of performance rights is designed to reward key employees for performance and align their performance with the Company growth and strategic objectives. Any 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 options and performance rights issued to executives is appropriate to align the goals of the executives with those of the shareholders to maximise shareholder wealth.

#### SHORT TERM INCENTIVE (CASH BONUSES)

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

The STI for the 2020/21 year includes five KPIs, each one equating to a cash bonus of 20% of base salary if achieved. At the Board's discretion a payment under the STI may be increased to a maximum of double in recognition of exceptional performance, therefore the maximum potential STI payment is 200% of base salary. The measures were chosen as they represent the key drivers for the short-term success of the business and provide a framework for delivering long-term value.

A cash bonus of 20% of base salary was paid to the Managing Director and the three other Key Management Personnel during the financial year ended 30 June 2021, relating to the achievement of a KPI connected to earning more than 70% of the Bramaderos project. No other cash bonuses have been paid during the year ended 30 June 2021 (2020: 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 base remuneration was reviewed and increased by the Board from 1 July 2018. Fees for the Chairman are \$85,000 p.a. and fees for other Non-executive Directors \$50,000 p.a. Directors' remuneration is inclusive of committee fees.

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

#### *Retirement allowances for Directors*

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

## REMUNERATION REPORT (AUDITED) CONTINUED

### B DETAILS OF REMUNERATION

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

2021	Short-term benefits		Post - employment benefits		Share based payments	Total	Performance Related
	Name	Cash salary and fees \$	Cash bonus \$	Super-annuation \$	Termination Payments \$		
<b>Directors of Sunstone Metals Ltd</b>							
Mr G Ascough	90,666	-	-	-	6,133	96,799	6.3%
Mr M Norris	316,050	60,200	30,025	-	49,603	455,878	24.1%
Mr S Stroud	52,500	-	-	-	6,133	58,633	10.5%
<b>Other key management personnel</b>							
Mr R Robinson	274,625	50,700	26,089	-	33,643	385,057	21.9%
Mr G Leicht	256,200	48,800	24,339	-	33,643	362,982	22.7%
Dr B Rohrlach	256,200	48,800	24,339	-	33,643	362,982	22.7%
<b>Total</b>	<b>1,246,241</b>	<b>208,500</b>	<b>104,792</b>	<b>-</b>	<b>162,799</b>	<b>1,722,332</b>	

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

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

2020	Short-term benefits		Post - employment benefits		Share based payments	Total	Performance Related
	Name	Cash salary and fees \$	Cash bonus \$	Super-annuation \$	Termination Payments \$		
<b>Directors of Sunstone Metals Ltd</b>							
Mr G Ascough	79,330	-	-	-	12,267	91,597	13.4%
Mr M Norris	285,950	21,200	27,165	-	27,713	362,028	13.5%
Mr S Stroud	47,500	-	-	-	12,267	59,767	20.5%
Mr D Hyma <sup>1</sup>	37,500	-	-	-	-	37,500	0.0%
<b>Other key management personnel</b>							
Mr R Robinson	232,375	-	22,076	-	13,887	268,337	5.2%
Mr G Leicht	231,800	-	22,021	-	13,887	267,708	5.2%
Dr B Rohrlach	231,800	-	22,021	-	13,887	267,708	5.2%
<b>Total</b>	<b>1,146,255</b>	<b>21,200</b>	<b>93,283</b>	<b>-</b>	<b>93,908</b>	<b>1,354,645</b>	

<sup>1</sup>Resigned 23 April 2020

#### LOANS TO KEY MANAGEMENT PERSONNEL

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

## REMUNERATION REPORT (AUDITED) CONTINUED

### C EXECUTIVE CONTRACTUAL ARRANGEMENTS

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

#### Mr Malcolm Norris, CEO & Managing Director

Base salary, exclusive of superannuation and other benefits, is \$301,000, reviewed annually on 1 July of each year and was last increased on 1 July 2019. Four weeks annual leave and statutory long service leave is provided.

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

#### Other Key Management

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

Base salary for other Key Management Personnel are reviewed annually on 1 July of each year, with an increase last occurring on 1 July 2019. Four weeks annual leave and statutory long service leave is provided.

### D SHARE-BASED COMPENSATION

#### OPTIONS AND PERFORMANCE RIGHTS PROVIDED AS REMUNERATION AND SHARES ISSUED ON EXERCISE

PERFORMANCE RIGHTS MOVEMENTS DURING THE FINANCIAL YEAR:

2021	Beginning Balance	Granted as remuneration	Vested during year	Lapsed	Balance at end of year	Vested		Lapsed	
						\$	%	\$	%
<b>Directors of Sunstone Metals Ltd</b>									
Mr M Norris	6,059,326	8,400,000	-	(812,858)	13,646,468	-	0.0%	9,079	5.6%
<b>Other key management personnel</b>									
Mr R Robinson	4,070,805	7,200,000	-	(812,858)	10,457,947	-	0.0%	9,079	7.2%
Mr G Leicht	4,070,805	7,200,000	-	(812,858)	10,457,947	-	0.0%	9,079	7.2%
Dr B Rohrlach	4,070,805	7,200,000	-	(812,858)	10,457,947	-	0.0%	9,079	7.2%
<b>Total</b>	<b>18,271,741</b>	<b>30,000,000</b>	<b>-</b>	<b>(3,251,432)</b>	<b>45,020,309</b>	<b>-</b>	<b>0.0%</b>	<b>36,316</b>	<b>6.7%</b>

Lapsed value reflects the value calculated at grant date for the rights that lapsed during the year.

During the 2021 financial year there were no performance rights that vested for key management personnel. Performance Rights issued in 2017 expired in September 2020, with 3,251,432 performance rights for key management personnel lapsing.

## REMUNERATION REPORT (AUDITED) CONTINUED

Shareholder approval was obtained at the Annual General Meeting held on 23 October 2020, for the issue of 8,400,000 Performance Rights with an exercise period of 3 years to Mr M Norris on the following terms (also 7,200,000 granted to each of the three other key management personnel during the financial year on the same terms and same allocation between tranches):

- Tranche 1 – 33.33% to vest upon the later of both the following vesting conditions occurring:
  - Closing Price of Sunstone Shares being \$0.0276 or more for 10 trading days out of any 20 consecutive trading days; and
  - 12 months after issue;
- Tranche 2 – 33.33% to vest upon TSR performance as measured against the ASX Small Resources Index, as follows:
  - Performance below the index no shares will vest.
  - Performance equal to the index will see 50% vest, increasing linearly with outperformance of the index by up to 25%, such that 100% of shares will vest should Sunstone's performance be greater than 25% above the index performance.
  - Testing will be annually on 30th June; and
- Tranche 3 – 33.33% to vest upon the later of both the following vesting conditions occurring:
  - Closing Price of Sunstone Shares being \$0.05 or more for 10 trading days out of any 20 consecutive trading days; and
  - 12 months after issue.

### OPTION MOVEMENTS DURING THE FINANCIAL YEAR

2021	Beginning Balance	Granted as remuneration	Lapsed	Exercised during year	Balance at end of year	Vested and exercisable at end of year
<b>Directors of Sunstone Metals Ltd:</b>						
Mr G Ascough	4,000,000	-	-	-	4,000,000	4,000,000
Mr S Stroud	4,000,000	-	-	-	4,000,000	4,000,000
<b>Total</b>	<b>8,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,000,000</b>	<b>8,000,000</b>

### 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.

2021	Beginning Balance	Vesting of Performance Rights	Exercise of Options	Purchases	Disposals	Balance at end of year
<b>Directors of Sunstone Metals Ltd</b>						
Mr G Ascough	19,417,381	-	-	-	-	19,417,381
Mr M Norris	22,101,217	-	-	-	-	22,101,217
Mr S Stroud	9,605,264	-	-	-	-	9,605,264
<b>Other key management personnel</b>						
Mr R Robinson	8,251,776	-	-	-	-	8,251,776
Mr G Leicht	14,067,837	-	-	-	-	14,067,837
Dr B Rohrlach	7,265,516	-	-	-	-	7,265,516
<b>Total</b>	<b>80,708,991</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80,708,991</b>

Shares held by M Norris are via direct interest in 11,371,106 shares, 8,173,149 shares held by superannuation funds where Mr Norris is a direct beneficiary, and 2,556,962 shares held by an associate of Mr Norris.

### END OF REMUNERATION REPORT (AUDITED)

## DIRECTORS' REPORT CONTINUED

### INSURANCE OF OFFICERS

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

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

### PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

### AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 27.

### AUDIT AND NON-AUDIT SERVICES

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

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

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

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

	2021 \$	2020 \$
<b>BDO</b>		
Audit Services		
Auditors of the Group		
Audit and review of financial reports	71,897	82,604
Other services	13,947	11,952
Taxation compliance and advice	85,844	94,556

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



Mr Graham Ascough  
Chairman

Brisbane, Queensland  
8 September 2021

## AUDITOR'S INDEPENDENCE DECLARATION



Tel: +61 7 3237 5999  
Fax: +61 7 3221 9227  
www.bdo.com.au

Level 10, 12 Creek St  
Brisbane QLD 4000  
GPO Box 457 Brisbane QLD 4001  
Australia

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

As lead auditor of Sunstone Metals Ltd for the year ended 30 June 2021, 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 handwritten signature in black ink, appearing to read 'R M Swaby', is written over a light grey circular watermark.

R M Swaby  
Director

Brisbane, 8 September 2021

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

# CORPORATE GOVERNANCE STATEMENT

## STATEMENT

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Sunstone Metals Limited (“Company”) have adhered to the principles of corporate governance and this statement outlines the main corporate governance practices in place throughout the financial year. The ASX Corporate Governance Council released revised Corporate Governance Principles and Recommendations (fourth edition) in February 2019. Having regard to the size of the Company and the nature of its enterprise, it is considered that the Company complies as far as possible with the spirit and intentions of the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations.

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

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

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

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

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

## INDEPENDENT DIRECTORS

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

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

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

## BOARD COMPOSITION

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

## DIRECTOR AND EXECUTIVE EDUCATION

All new Directors are educated about the nature of the business, current issues, the corporate strategy, the culture and values of the Group, and the expectations of the Group concerning performance of Directors. In addition, Directors are also educated regarding meeting arrangements and Director interaction with each other, senior executives and stakeholders. Directors have the opportunity to visit Group facilities and meet with management

## CORPORATE GOVERNANCE STATEMENT CONTINUED

to gain a better understanding of operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge upon joining the Group. Directors will be educated on the Group's structure, strategy, operations, financial position and risk management policies. It also familiarises the individual with respective rights, duties, responsibilities and roles of the individual and the Board.

### TERM OF APPOINTMENT AS A DIRECTOR

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

### RISK MANAGEMENT AND INTERNAL COMPLIANCE AND CONTROLS

#### AUDIT AND FINANCIAL RISK COMMITTEE

The board has established an Audit and Financial Risk Committee.

All directors are members of the Committee, with a Non-Executive Director that is not the Chairman of the Board being the Chairman of the Committee. Given the size of the Company and the nature of its activities, it is considered important that all directors participate in matters relating to audit and financial risk.

The Committee members are:

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

The Committee's responsibilities include:

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

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

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

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

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

## CORPORATE GOVERNANCE STATEMENT CONTINUED

- review the Company's internal financial control mechanisms and risk management policies;
- compile a risk profile of the material risks facing the Company;
- review major non-financial regulatory matters covering areas of exposure including the environment, safety and health, asset protection (including insurance), discrimination and harassment, conflict of interest and ethical standards.

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

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

### REMUNERATION/NOMINATION AND PERFORMANCE

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

Given the size of the Company and the nature of its activities, it is considered that all directors participate in matters relating to remuneration and director nomination. It is a cost effective structure and there is no justification for appointing a separate Remuneration Committee.

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

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

The Company does not currently have a documented formal process for periodically evaluating the performance of the board, its committees and individual directors, however, does undertake informal evaluations. The Board undertakes an annual review of key executives, evaluating their performance and remuneration levels. This annual review was last undertaken in June 2021.

### CODE OF CONDUCT

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

### CONFLICT OF INTEREST

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

### INDEPENDENT PROFESSIONAL ADVICE

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

## CORPORATE GOVERNANCE STATEMENT CONTINUED

### SHARE TRADING POLICY

Directors and employees are not permitted to trade shares whilst in the possession of price sensitive information. Directors and employees are prohibited from trading in securities whilst in possession of any inside information in accordance with the Corporations Act 2001. The Company's Securities Trading Policy can be found on the Company's website.

### COMMUNICATION TO MARKET AND SHAREHOLDERS

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

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

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

### DIVERSITY POLICY

The Company does not at present have a Diversity Policy in place due to the size and stage of development of the Company. The Company currently has four fulltime employees and two non-executive directors in Australia and currently has no female employees or directors. In Ecuador the Company's subsidiary La Plata Minerales S.A. has fifteen full-time permanent employees, of which five are female.

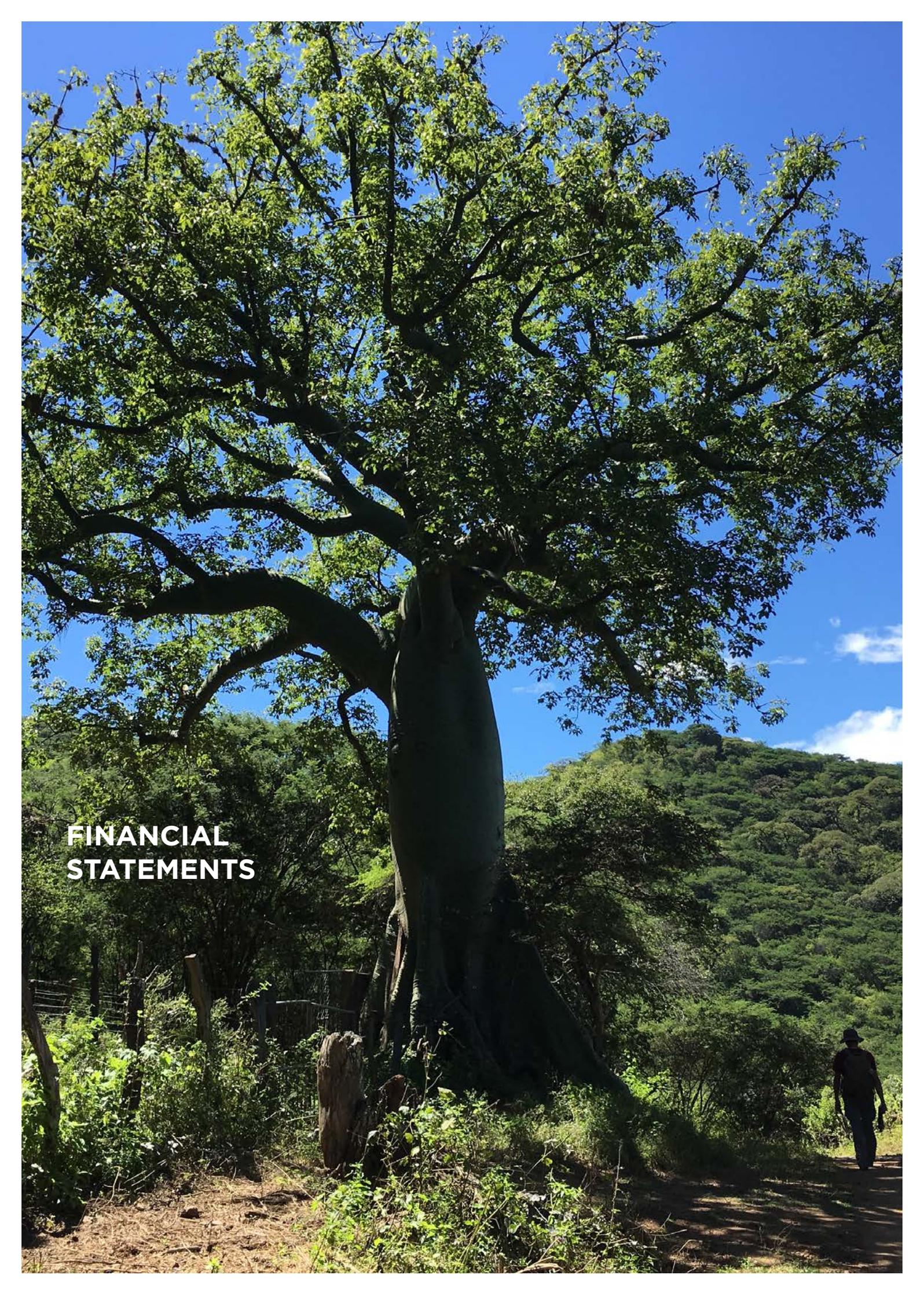
### EXTERNAL AUDITORS

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

### OTHER INFORMATION

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

Further information relating to the Company's corporate governance practices and policies has been made publicly available on the Company's web site at [www.sunstonemetals.com.au](http://www.sunstonemetals.com.au).

A large, leafy tree with a thick trunk stands in the foreground. The background shows a lush green hillside and a person walking on a dirt path. The sky is blue with some clouds.

**FINANCIAL  
STATEMENTS**

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AS AT 30 JUNE 2021

	Note	2021 \$	2020 \$
Interest income		20,260	91,004
Other income	3	313,206	74,000
Employee Benefits Expense	4	(972,991)	(907,975)
Corporate and administration expenses		(669,577)	(792,740)
Share of associate gains/(losses) using the equity method		343,094	(392,978)
Net fair value gain on financial assets at fair value through profit or loss	8	5,250,640	978,746
Depreciation expense		(66,922)	(56,720)
Reversal of impairment / (impairment expense)	4	481,066	5,573,456
Loss on sale of subsidiary		(1,466,504)	-
Interest paid		(8,054)	(12,964)
<b>Profit/(Loss) before income tax</b>		<b>3,224,218</b>	<b>4,553,829</b>
Income tax expense	5	-	-
<b>Net profit/(loss) for the period</b>		<b>3,224,218</b>	<b>4,553,829</b>
<b>Other comprehensive income / (loss)</b>			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		(2,047,990)	18,162
<b>Total comprehensive profit/(loss) for the period</b>		<b>1,176,228</b>	<b>4,571,991</b>
<b>Net profit/(loss) for the period is attributable to:</b>			
Members of Sunstone Metals Ltd		3,224,218	4,562,120
Non-controlling interests		(4,711)	(8,291)
		<b>3,224,218</b>	<b>4,553,829</b>
<b>Total comprehensive profit/(loss) for the period attributable to:</b>			
Members of Sunstone Metals Ltd		1,180,561	4,580,390
Non-controlling interests		(4,333)	(8,399)
		<b>1,176,228</b>	<b>4,571,991</b>
<b>Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company</b>			
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	19	0.1	0.3
Diluted earnings per share	19	0.1	0.3

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	30 Jun 21 \$	30 Jun 20 \$
<b>Current assets</b>			
Cash and cash equivalents	6	12,171,240	3,686,349
Trade and other receivables	7	38,858	185,897
Total current assets		12,210,098	3,872,246
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	8	11,783,019	5,036,204
Plant and equipment	9	189,852	150,216
Exploration and evaluation	10	19,950,190	16,972,821
Investments accounted for using the equity method	11	-	16,716,124
Total non-current assets		31,923,061	38,875,365
<b>Total assets</b>		<b>44,133,159</b>	<b>42,747,611</b>
<b>Current liabilities</b>			
Trade and other payables	12	195,020	308,491
Lease liabilities		35,900	30,123
Provisions	13	284,288	260,679
<b>Total current liabilities</b>		<b>515,208</b>	<b>599,293</b>
<b>Non-current liabilities</b>			
Lease liabilities		72,483	-
Provisions	13	208,793	146,578
Total non-current liabilities		281,276	146,578
<b>Total liabilities</b>		<b>796,484</b>	<b>745,871</b>
<b>Net assets</b>		<b>43,336,675</b>	<b>42,001,740</b>
<b>Equity</b>			
Contributed equity	14	88,193,617	88,193,617
Reserves	15	2,321,815	4,207,384
Accumulated losses		(48,053,295)	(51,282,224)
Equity attributable to owners of Sunstone Metals Limited		42,462,137	41,118,777
Non-controlling interests	16	874,538	882,963
<b>Total equity</b>		<b>43,336,675</b>	<b>42,001,740</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2021

2021	Contributed Equity \$	Share Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$	Non- controlling interests \$	Total equity \$
<b>At the beginning of the financial year</b>	88,193,617	3,783,520	423,864	(51,282,224)	41,118,777	882,963	42,001,740
Profit/(loss) for the year				3,228,929	3,228,929	(4,711)	3,224,218
Other comprehensive Income			(2,048,368)		(2,048,368)	378	(2,047,990)
<b>Total comprehensive income/(loss) for the year</b>	-	-	(2,048,368)	3,228,929	1,180,561	(4,333)	1,176,228
Shares issued					-	(4,092)	(4,092)
Share issue costs					-		-
Share based payment transactions		162,799			162,799		162,799
<b>Total Equity at the end of the financial year</b>	88,193,617	3,946,319	(1,624,504)	(48,053,295)	42,462,137	874,538	43,336,675
<b>2020</b>	<b>Contributed Equity \$</b>	<b>Share Based Payments Reserve \$</b>	<b>Foreign Currency Translation Reserve \$</b>	<b>Accumulated Losses \$</b>	<b>Total \$</b>	<b>Non- controlling interests \$</b>	<b>Total equity \$</b>
<b>At the beginning of the financial year</b>	79,607,540	3,800,946	405,594	(55,667,713)	28,146,367	(19,237)	28,127,130
Profit/(loss) for the year				4,562,120	4,562,120	(8,291)	4,553,829
Other comprehensive Income			18,270		18,270	(108)	18,162
Consolidation of acquired entity				(176,631)	(176,631)	(25,233)	(201,864)
<b>Total comprehensive income/(loss) for the year</b>	-	-	18,270	4,385,489	4,403,759	(33,632)	4,370,127
Shares issued	9,020,771				9,020,771	935,832	9,956,603
Share issue costs	(434,694)				(434,694)		(434,694)
Share based payment transactions		(17,426)			(17,426)		(17,426)
<b>Total Equity at the end of the financial year</b>	88,193,617	3,783,520	423,864	(51,282,224)	41,118,777	882,963	42,001,740

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

# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021	2020
		\$	\$
<b>Cash flows from to/from operating activities</b>			
Payments to suppliers and employees		(1,476,500)	(1,477,052)
Sundry income		152,000	74,000
Interest paid		(8,054)	(12,964)
Interest received		20,260	42,140
Net cash outflow from operating activities	17	(1,312,294)	(1,373,876)
<b>Cash flows to/from investing activities</b>			
Proceeds from/(payments for) plant and equipment		27,338	(83,765)
Exploration and evaluation expenditure		(7,189,594)	(8,359,707)
Proceeds from sale of subsidiary		4,281,222	2,281,461
Proceeds from sale of shares		12,707,682	865,319
Net cash used in investing activities		9,826,648	(5,296,692)
<b>Cash flows to/from financing activities</b>			
Proceeds from issue of securities		-	8,917,125
Costs of share issues		-	(434,694)
Principal paid on lease liabilities		(30,122)	
Interest paid on lease liabilities		(784)	
Net cash provided by financing activities		(30,906)	8,482,431
Net increase/(decrease) in cash		8,483,449	1,811,863
Effect of exchange rate fluctuations on cash held		1,442	(378)
Cash and cash equivalents at the beginning of the financial year		3,686,349	1,874,864
<b>Cash at the end of the financial year</b>		<b>12,171,240</b>	<b>3,686,349</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2021

### 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 2021, unless otherwise stated.

#### CORPORATE INFORMATION

The consolidated financial report of Sunstone Metals Limited for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Directors on 8 September 2021.

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](http://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 earned a net profit of \$3,224,218 for the year ended 30 June 2021. As at 30 June 2021 the Group has net cash reserves of \$12,171,240 and a net current asset surplus of \$11,694,891. 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:

- The cash balance of the Group as at 30 June 2021 is \$12.2 million;
- During the financial year ended 30 June 2021 the Group successfully monetised ~\$12.7 million by selling Copperstone shares on market and in an off-market block trade. The value of the remaining shares held in Copperstone as at 30 June 2021 equates to \$11.6 million;
- To date the Group has funded its activities through issuance of equity securities and it is expected that the Group will be able to fund its future activities through further issuances of equity securities;
- The directors believe there is sufficient cash available for the Group to continue operating until it can raise sufficient further capital to fund its ongoing activities.

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

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### 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 2021 and the results of all the subsidiaries for the financial period then ended. The Company and its subsidiaries together are referred to in this financial report as the Group or Consolidated Entity.

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

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

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

#### D OPERATING SEGMENTS

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

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

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

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

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

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

#### E REVENUE AND OTHER INCOME RECOGNITION

##### *Interest income*

Other income 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### *Government grants*

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

#### F INCOME TAX

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

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

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

#### G CASH AND CASH EQUIVALENTS

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

#### H OTHER RECEIVABLES

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

#### I FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

The shares held in listed companies Copperstone Resources AB and NewPeak Metals Ltd (refer to Note 8), does not satisfy the solely payment of principal and interest test and is therefore classified as financial assets at fair value through profit or loss.

#### J LEASES

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

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

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

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

#### K EXPLORATION AND EVALUATION EXPENDITURE

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

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

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

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

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

#### L IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

#### M ASSOCIATES

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

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

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

#### N TRADE AND OTHER PAYABLES

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

#### O PROVISIONS

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

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

#### P EMPLOYEE BENEFITS

##### (i) Wages, salaries and annual leave

Liabilities for wages and salaries, including nonmonetary 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) Other long-term employee benefits

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

##### (iii) Retirement benefit obligations

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### (iv) Share based payments

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

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

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

#### Q CONTRIBUTED EQUITY

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

#### R EARNINGS PER SHARE

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

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

#### S GOODS AND SERVICES TAX (GST) / VALUE ADDED TAX (VAT)

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

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

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

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

#### T FOREIGN CURRENCY TRANSACTIONS AND BALANCES

##### (i) Functional and presentation currency

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### (ii) Transactions and balances

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

#### (iii) Group companies

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

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

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

### U APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

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

In the current year, the Group has applied a number of new and revised AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2020.

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

### V NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

### NOTE 2. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Exploration and evaluation assets have been capitalised on the basis that the Group will commence commercial production in the future from which the costs will be amortised in proportion to the depletion of the mineral resources. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. The carrying value of exploration and evaluation assets at 30 June 2021 is \$19,950,190 (2020: \$16,972,821).

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 3. OTHER INCOME

	2021 \$	2020 \$
Other income - Gain on sale of investment in shares	133,868	-
Other income - Gain on sale of assets	27,338	-
Other income - Government grants	152,000	74,000
	<b>313,206</b>	<b>74,000</b>

Other income - Gain on sale of investment in shares represents gains made on sale of shares in Copperstone Resources AB up until the point where Sunstone ceased to account for its investment in Copperstone using the equity method.

### NOTE 4. EXPENSES

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

	2021 \$	2020 \$
<b>Employee benefits expense*</b>		
Salaries & wages	553,614	443,927
Directors' fees	143,166	164,330
Defined contribution superannuation expense	42,238	40,159
Share based payments	162,799	86,220
Movement in leave provisions	58,448	139,834
Other	12,726	33,505
	<b>972,991</b>	<b>907,975</b>
Impairment Expense / (Reversal of Impairment)		
Exploration concessions (Note 10)	410,928	-
Shares in Copperstone Resources AB (Note 11)	(891,994)	(5,573,456)
	<b>(481,066)</b>	<b>(5,573,456)</b>

\* Excludes employee costs capitalised to exploration and evaluation expenditure

The Copperstone share price at the date of the loss of significant influence, where Sunstone ceased to account for its investment in Copperstone using the equity method, was 0.719 SEK (30 June 2020: 0.67 SEK), resulting in the reversal of impairment recognised in prior years for the value of the shares Sunstone held in Copperstone at that point.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 5. INCOME TAX

	2021 \$	2020 \$
<b>(a) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate</b>		
Accounting profit / (loss) before income tax	3,224,218	4,553,829
At the Group's statutory income tax rate of 30% (2020: 30%)	967,265	1,366,149
Expenditure/(income) not allowable for income tax purposes	(1,383,519)	1,877,141
Deferred tax asset not brought to account as realisation is not considered probable	416,254	(3,243,290)
<b>Income tax expense</b>	-	-
<b>Statement of Financial Position</b>		
	2021 \$	2020 \$
<i>Deferred tax assets</i>		
Employee provisions	110,619	93,085
Other accruals and provisions	-	31,667
Share issue costs charged to equity	-	23,201
Unused income tax losses	4,646,133	4,305,692
Lease liability	32,515	-
Expenses capitalised	39,667	-
Deferred tax assets offset by deferred tax liabilities	(1,993,439)	-
Total deferred tax assets	2,835,495	4,453,645
Total unrecognised deferred tax assets	(2,835,495)	(4,453,645)
Net deferred tax assets	-	-

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

### NOTE 6. CASH AND CASH EQUIVALENTS

	2021 \$	2020 \$
Cash on hand and at bank	12,171,240	3,686,349

Cash at bank earns interest at floating rates based on daily bank deposit rates. The cash at bank is bearing floating interest rates between 0.01% and 0.05% (2020: 0.01% and 1.55%). The carrying amounts of cash and cash equivalents represent fair value.

Restricted cash balances totalling \$15,225 (2020: \$15,225) representing term deposits securing various performance guarantees have been disclosed under other receivables (refer Note 7).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 7. OTHER RECEIVABLES

	2021 \$	2020 \$
Other debtors	17,184	169,017
Deposits	15,225	15,225
Prepayments	6,449	1,655
	<b>38,858</b>	<b>185,897</b>

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

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

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

	2021 \$	2020 \$
<b>Non-current</b>		
Shares in Copperstone Resources AB	11,619,638	-
Shares in NewPeak Metals Ltd	163,381	-
Copperstone receivable - cash	-	1,981,977
Copperstone receivable - shares	-	3,054,227
	<b>11,783,019</b>	<b>5,036,204</b>

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

	2021 \$	2020 \$
<i>Opening fair value</i>	5,036,204	4,057,459
Additions - NewPeak Metals Ltd	250,000	-
Reclassification - Investments accounted for using the equity method	17,326,528	-
Shares sold during the financial year	(11,949,130)	-
Cash received	(4,131,223)	-
Fair value increments / (decrements)	5,250,640	978,746
Closing fair value	<b>11,783,019</b>	<b>5,036,204</b>

During the financial year ended 30 June 2021 an agreement was reached between Sunstone and Copperstone for an early payout of 26 million SEK (\$4,131,223) to Sunstone in full and final settlement of the at-risk contingent consideration of 20 million SEK cash and 46 million Copperstone shares due upon Copperstone receiving an environmental permit for Viscaria. Sunstone believes that bringing this payment forward is an appropriate risk mitigation strategy as management anticipates the receipt of the environmental permit for Viscaria may be many years away and the 20 million SEK cash component was to be forfeited if the final and binding permit to allow mining activities to commence had not been received within eight years following the Completion Date of the transaction (9 March 2019).

At 30 June 2021 Sunstone held approximately 5.6% of the shares on issue in Copperstone and as the Group is no longer considered to have any significant influence over Copperstone the Group has discontinued the use of the equity method and recognises the retained investment at its fair value, being the market value at reporting date under level 1 of the fair value hierarchy referred to in AASB 13 Fair Value measurement.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

During the financial year Sunstone sold 98,361,348 of the shares held in Copperstone, with the gain on sale of the shares, subsequent to ceasing accounting for the investment in Copperstone using the equity method, of \$1,556,627 recognised as part of the fair value increment.

At 30 June 2021 the Copperstone share price was 1.21 SEK (2020: 0.67 SEK), resulting in fair value increment on the remaining 61,638,652 shares Sunstone holds in Copperstone of \$4,685,613. It is noted that this value may fluctuate from period to period due to share price movements of Copperstone and changes in the exchange rate between the Australian Dollar and Swedish Krona.

During the financial year ended 30 June 2021 Sunstone sold its interest in the Southern Finland Gold Project to NewPeak Metals Ltd (ASX:NPM), receiving \$75,000 in cash and \$250,000 in NPM shares upon settlement, recognised at the market value at reporting date under level 1 of the fair value hierarchy referred to in AASB 13 Fair Value measurement, resulting in a fair value decrement of \$86,619.

Further consideration of \$1.5 million is receivable from NewPeak Metals Ltd contingent on delivery of at least 450,000 ounces of gold in Measured and Indicated Resources from the acquired permits. Refer to Note 26 regarding contingent assets.

### NOTE 9. PROPERTY, PLANT AND EQUIPMENT

	Office equipment \$	Computer equipment \$	Exploration equipment \$	Right of use assets \$	Total \$
<b>Year Ended 30 June 2021</b>					
Carrying amount at beginning of financial year	1,024	4,978	115,493	28,721	150,216
Additions	-	-	-	106,720	106,720
Disposals	-	-	-	-	-
Depreciation expensed	(93)	(3,096)	(26,120)	(37,614)	(66,923)
Depreciation capitalised as exploration	-	-	-	-	-
Effect of movement in foreign exchange	(82)	(79)	-	-	(161)
Carrying amount at end of financial year	849	1,803	89,373	97,827	189,852
<b>As at 30 June 2021</b>					
At Cost	25,071	60,295	130,597	173,735	389,698
Accumulated Depreciation	(24,222)	(58,492)	(41,224)	(75,908)	(199,846)
	849	1,803	89,373	97,827	189,852
<b>Year Ended 30 June 2020</b>					
Carrying amount at beginning of financial year	-	4,626	-	-	4,626
Additions	1,125	3,573	130,597	67,015	202,310
Disposals	-	-	-	-	-
Depreciation expensed	(101)	(3,221)	(15,104)	(38,294)	(56,720)
Depreciation capitalised as exploration	-	-	-	-	-
Effect of movement in foreign exchange	-	-	-	-	-
Carrying amount at end of financial year	1,024	4,978	115,493	28,721	150,216
<b>As at 30 June 2020</b>					
At Cost	25,170	60,459	130,597	67,015	283,241
Accumulated Depreciation	(24,146)	(55,481)	(15,104)	(38,294)	(133,025)
	1,024	4,978	115,493	28,721	150,216

Right of use assets relates to office lease.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 10. EXPLORATION AND EVALUATION ASSETS

	2021 \$	2020 \$
At Cost - less amounts written off	19,950,190	16,972,821
Balance at 1 July	16,972,821	8,151,339
Exploration and evaluation expenditure	6,447,590	8,804,446
Impairment recognised	(410,928)	-
Effect of movement in foreign exchange	(902,879)	17,036
Disposal of subsidiary	(2,156,415)	-
Balance at 30 June	19,950,190	16,972,821

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.

The impairment recognised relates to relinquished exploration tenements. Refer to Notes 8 and 26 for further details relating to the disposal of subsidiary.

### NOTE 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2021 \$	2020 \$
Shares in Copperstone Resources AB	24,124,097	24,124,097
Shares disposed	(624,684)	-
Reversal of impairment / (impairment)	(6,172,885)	(7,407,973)
Reclassification to Financial assets at fair value through profit or loss	(17,326,528)	-
	-	16,716,124

At 30 June 2021 Sunstone held approximately 5.6% of the shares on issue in Copperstone and as the Group is no longer considered to have any significant influence over Copperstone the Group has discontinued the use of the equity method and recognises the retained investment at its fair value, being the market value at reporting date under level 1 of the fair value hierarchy referred to in AASB 13 Fair Value measurement.

### NOTE 12. TRADE AND OTHER PAYABLES

	2021 \$	2020 \$
Trade payables	133,742	185,931
Sundry payables and accrued expenses	61,278	122,560
	195,020	308,491

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 13. PROVISIONS

	2021 \$	2020 \$
<i>Current</i>		
Employee leave liabilities	284,288	260,679
<i>Non-current</i>		
Employee leave liabilities	208,793	146,578

### NOTE 14. CONTRIBUTED EQUITY

#### (a) Share capital

	Number of shares	2021 \$
Ordinary shares - fully paid	2,209,987,646	88,193,617

#### (b) Movements in ordinary share capital

	Number of shares	Issue price \$	\$
<b>Balance as at 1 July 2019</b>	<b>1,220,876,776</b>		<b>79,607,540</b>
Jul-19 Vesting of Employee Performance Rights	3,668,874	0.027	97,592
Sep-19 Exercise of unlisted Options	4,500,000	0.032	144,000
Sep-19 Exercise/underwriting of Listed Options	154,837,500	0.030	4,645,125
Sep-19 Vesting of Employee Performance Rights	504,496	0.012	6,054
Apr-20 Share placement	345,000,000	0.005	1,725,000
May-20 Share Purchase Plan	480,600,000	0.005	2,403,000
Share issue costs			(434,694)
<b>Balance as at 30 June 2020</b>	<b>2,209,987,646</b>		<b>88,193,617</b>
<b>Balance as at 30 June 2021</b>	<b>2,209,987,646</b>		<b>88,193,617</b>

#### (c) Ordinary shares

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

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

Information relating to the Employee Performance Right's Plan, including details of instruments issued, exercised and lapsed during the financial year are set out in Note 19.

#### (e) Options/Performance Rights

At the end of the 2021 financial year there were 8,000,000 unlisted options, and 45,020,309 performance rights over ordinary shares on issue (see Note 19).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 14. CONTRIBUTED EQUITY CONTINUED

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

	2021 \$	2020 \$
Current assets	12,210,099	3,872,246
Current liabilities	515,208	599,293
Liquidity ratio	23.7 : 1	6.5 : 1

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

### NOTE 15. RESERVES

	2021 \$	2020 \$
Share based payments reserve	3,946,319	3,783,520
Foreign currency translation reserve	(1,624,504)	423,864
Total reserves	2,321,815	4,207,384

Movements in reserves were as follows:

#### Share based payments reserve

Opening balance	3,783,520	3,800,946
Share based payments - employees	162,799	86,220
Shares Issued on vesting	-	(103,646)
Closing balance	3,946,319	3,783,520

#### Foreign currency translation reserve

Opening balance	423,864	405,594
Foreign exchange gains/(losses) on translation	(2,048,368)	18,270
Closing balance	(1,624,504)	423,864

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 15. 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 operations is primarily the US Dollar plus Swedish Krona and Euro.

### NOTE 16. NON-CONTROLLING INTERESTS

	2021 \$	2020 \$
Interest In:		
Share capital	939,615	943,699
Foreign currency translation reserve	331	(47)
Retained earnings	(65,408)	(60,689)
	874,538	882,963

### NOTE 17. CASH FLOW INFORMATION

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

	2021 \$	2020 \$
Operating profit/(loss) after income tax	3,224,218	4,553,829
<i>Non-cash flows in profit/(loss)</i>		
Depreciation	66,922	56,720
(Reversal of impairment) / Impairment expense	(481,066)	(5,573,456)
Net fair value (gain) / loss on financial assets at fair value through profit or loss	(5,250,640)	(978,746)
Interest Income received in shares	-	(48,841)
Gain on sale of shares	(133,868)	-
Loss on sale of assets	1,439,166	-
Share of associates loss	(343,094)	392,978
Share based payments - performance rights/options	162,799	86,220
<i>Changes in operating assets and liabilities</i>		
Decrease/(increase) in trade & other receivables	30,916	(54,733)
(Decrease)/increase in trade & other payables	(113,471)	52,319
(Decrease)/increase in provisions	85,824	139,834
	(1,312,294)	(1,373,876)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 18. EARNINGS PER SHARE

	2021 \$	2020 \$
Basic earnings per share	0.1	0.3
Diluted earnings per share	0.1	0.3
<b>Weighted average number of shares used as the denominator</b>	<b>Number</b>	<b>Number</b>
Weighted average number of shares used as the denominator in calculating basic earnings per share	2,209,987,646	1,709,084,440
Effect of dilution:		
Share options/performance rights	53,020,309	26,271,741
	2,263,007,955	1,735,356,181
	\$	\$
Gains/(losses) used in calculating basic and diluted losses per share	3,224,218	4,553,829

### NOTE 19. SHARE-BASED PAYMENTS

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

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

Share price volatility has a powerful influence on the estimation of the fair value of an option and performance right, much of the value of which is derived from its potential appreciation. The more volatile the share price, the more valuable the option. Volatility for the fair value of the options has been determined by the external party performing the valuation using the historical 3 year volatility.

The tables below outline the key details for all options and performance rights outstanding as at 30 June 2021:

#### Options:

Grant Date	Options Outstanding	Expiry Date	Value per Option	Total Value	Exercise Price	Share price at Grant Date	Share Volatility	Risk Free rate of return
Options:								
31 October 2019	8,000,000	31/10/22	\$0.0046	\$36,800	\$0.042	\$0.019	94%	0.66%
	<u>8,000,000</u>			<u>\$36,800</u>				

Weighted Average remaining life 1.3 years

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 19. 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
<b>Performance Rights:</b>								
23 Oct 2020: Tranche 1	10,000,000	23/10/23	\$0.0075	\$74,600	\$0.0276	\$0.019	115%	0.27%
23 Oct 2020: Tranche 2	10,000,000	23/10/23	\$0.0111	\$111,400	TSR	\$0.019	115%	0.27%
23 Oct 2020: Tranche 3	10,000,000	23/10/23	\$0.0042	\$41,700	\$0.050	\$0.019	115%	0.27%
31 Oct 2019: Tranche 1	2,600,000	31/10/22	\$0.0087	\$22,620	\$0.080	\$0.019	94%	0.66%
31 Oct 2019: Tranche 2	2,600,000	31/10/22	\$0.0156	\$40,560	TSR	\$0.019	94%	0.66%
31 Oct 2019: Tranche 3	2,600,000	31/10/22	\$0.0072	\$18,720	\$0.110	\$0.019	94%	0.66%
27 Nov 2018: Tranche 1	3,466,667	27/11/21	\$0.0260	\$90,133	\$0.050	\$0.030	100%	2.08%
27 Nov 2018: Tranche 2	286,976	27/11/21	\$0.0266	\$7,634	TSR	\$0.030	100%	2.08%
27 Nov 2018: Tranche 3	3,466,666	27/11/21	\$0.0232	\$80,427	\$0.065	\$0.030	100%	2.08%
	<b>45,020,309</b>			<b>487,794</b>				
Weighted Average \$			\$0.0108			\$0.008		
Weighted Average remaining life		1.8 years						

The tables below outline the movements for all share-based payments options and performance rights during 2021:

#### Options:

Grant Date	Beginning Balance	Granted during year	Exercised during year	Lapsed	Balance at end of year
31 October 2019	8,000,000	-	-	-	8,000,000
<b>Total</b>	<b>8,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,000,000</b>

#### Performance Rights:

Grant Date	Beginning Balance	Granted as remuneration	Exercised during year	Lapsed	Balance at end of year
23 Oct 2020: Tranche 1	-	10,000,000	-	-	10,000,000
23 Oct 2020: Tranche 2	-	10,000,000	-	-	10,000,000
23 Oct 2020: Tranche 3	-	10,000,000	-	-	10,000,000
31 Oct 2019: Tranche 1	2,600,000	-	-	-	2,600,000
31 Oct 2019: Tranche 2	2,600,000	-	-	-	2,600,000
31 Oct 2019: Tranche 3	2,600,000	-	-	-	2,600,000
27 Nov 2018: Tranche 1	3,466,667	-	-	-	3,466,667
27 Nov 2018: Tranche 2	286,976	-	-	-	286,976
27 Nov 2018: Tranche 3	3,466,666	-	-	-	3,466,666
7 Sept 2017: Tranche 2	251,432	-	-	(251,432)	-
7 Sept 2017: Tranche 3	3,000,000	-	-	(3,000,000)	-
<b>Total</b>	<b>18,271,741</b>	<b>30,000,000</b>	<b>-</b>	<b>(3,251,432)</b>	<b>45,020,309</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 19. SHARE-BASED PAYMENTS CONTINUED

During the 2021 financial no performance rights vested for key management personnel, while 30 million performance rights were granted with the following performance conditions attached:

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

- The Closing Price of Sunstone Shares being \$0.0276 or more for 10 trading days out of any 20 consecutive trading days; and
- 12 months after issue.

Tranche 2 – TSR performance as measured against the ASX Small Resources Index, as follows:

- Performance below the index no shares will vest.
- Performance equal to the index will see 50% vest, increasing linearly with outperformance of the index by up to 25%, such that 100% of shares will vest should Sunstone's performance be greater than 25% above the index performance.
- Testing will be annually on 30th June; and

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

- The Closing Price of Sunstone Shares being \$0.05 or more for 10 trading days out of any 20 consecutive trading days; and
- 12 months after issue.

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

(b) Amortisation expense of Options and Performance Rights

The amortised expense for performance rights in the statement of profit or loss and other comprehensive income for the year ended 30 June 2021 was \$150,532 (2020: \$61,687). Expense for options was \$12,267 (2020: \$24,533).

### NOTE 20. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

#### Controlling entities

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

Interests in subsidiaries are disclosed in note 24.

#### Key Management Personnel compensation

	2021 \$	2020 \$
Short-term employee benefits	1,246,241	1,146,254
Cash bonus	208,500	21,200
<b>Post employment benefits</b>	<b>104,792</b>	<b>93,283</b>
Share based payments	162,799	93,908
	<b>1,722,332</b>	<b>1,354,645</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 21. CAPITAL AND OTHER COMMITMENTS

	2021 \$	2020 \$
Commitments on Tenements		
- Not later than 12 months	2,157,028	200,756
- Between 12 months and 5 years	142,110	210,260
	<b>2,299,138</b>	411,016

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

On 12 August 2020 the Company announced that it had agreed to acquire the highly prospective El Palmar copper-gold porphyry project in Ecuador as part its strategy to expand its land holdings in Ecuador on projects which pass our technical and commercial hurdles and offer the potential for significant resource discoveries. Under this Staged Acquisition Agreement, for Sunstone to acquire a 100% interest in the company that holds the El Palmar concession the following staged payments are required:

- An initial cash payment of US\$50,000 upon signing of the Staged Acquisition Agreement;
- Further payments of US\$100,000 prior to 30 June 2021;
- Payment of US\$150,000 linked to advancement through to the commencement of a phase 2 drilling program in the first two years;
- Payment of US\$300,000 by 1 July 2022 and expenditure incurred on exploration of US\$2,000,000 to earn 51%;
- Payment of US\$300,000 by 1 July 2023 to earn 70%;
- Final cash payment of US\$2,000,000 by 1 July 2024 to earn 100%;

Sunstone holds the right to exit the Agreement between 30 June 2023 and 30 June 2024 whereby its interest will revert to 51%.

### NOTE 22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

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

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

#### (i) Credit risk

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 CONTINUED

### NOTE 22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

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 Ecuador, Finland and Sweden to meet the working capital needs of the subsidiary companies. The cash needs of the subsidiary operations are monitored by the Company and funds are advanced to the operations on an as needs basis. The Directors believe this is the most efficient method of

balancing the monitoring and mitigation of potential credit risks arising out of holding cash assets in overseas jurisdictions, and the funding mechanisms required by the Group.

#### (ii) Liquidity risk

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

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

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

	2021 \$	2020 \$
<b>Liquid financial assets</b>		
Three months or less	12,192,746	3,846,753
Greater than three months	11,636,990	21,777,821
	<b>23,829,736</b>	<b>25,624,574</b>
<b>Liquid financial liabilities</b>		
Three months or less	324,525	334,782
	<b>324,525</b>	<b>355,018</b>

#### Fair values

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

#### Interest rate risk

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

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

	2021 \$	2020 \$
<b>Financial assets</b>		
Cash and cash equivalents	12,171,240	3,686,349
	<b>12,171,240</b>	<b>3,686,349</b>

The following sensitivity analysis is based on the interest rate risk exposure in existence at the reporting date. The 1% sensitivity (2020: 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

At 30 June 2021, 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:

	2021 \$	2020 \$
Post tax gain/(loss)		
+1.0% (100 basis points)	121,712	36,863
-1.0% (100 basis points)	(121,712)	(36,863)

The average interest rate for the year ended 30 June 2021 was 0.03% (2020: 1.10%).

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

#### (i) Market risk

Included in non-current assets is financial assets at fair value of \$11,619,638 (2020: \$5,036,204) relating to an investment in the shares of Copperstone Resources AB, listed on Nasdaq Stockholm and denominated in Swedish Krona, plus \$163,381 relating to an investment in the shares of ASX listed NewPeak Metals Ltd.

At 30 June 2021, if either the market price of the shares or the Australian dollar / Swedish Krona rate had moved, as illustrated in the table below, with all other variables held constant, post-tax loss would have been affected as follows:

	2021 \$	2020 \$
<b>Financial assets</b>		
Financial assets at fair value through profit or loss	11,783,019	5,036,204
	11,783,019	5,036,204

	2021 \$	2020 \$
Post tax gain/(loss)		
Share price +10%	1,178,302	198,198
Share price -10%	(1,178,302)	(198,198)
AUD/SEK FX rate +10%	(1,056,331)	
AUD/SEK FX rate +10%	1,291,071	

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

### NOTE 23. REMUNERATION OF AUDITORS

	2021 \$	2020 \$
During the period the following fees were paid or payable for services provided by the auditor of the Company and its related practices:		
<b>Audit and Review Services</b>		
Audit and review of consolidated financial statements	59,440	70,836
Audit of Scandinavian subsidiaries financial statements	12,457	11,768
<b>Other services</b>		
Taxation matters - Australia	11,628	11,179
Taxation matters - Scandinavia	2,319	773

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 24. SUBSIDIARIES

Name of Entity	Country of Incorporation	Class of Shares	Ownership interest held by group*	
			2021	2020
Avalon Minerals Adak AB	Sweden	Ordinary	100%	100%
Scandian Metals Pty Ltd	Australia	Ordinary	100%	100%
Scandian Metals AB	Sweden	Ordinary	100% <sup>1</sup>	100% <sup>1</sup>
Kultatie Holding Oy	Finland	Ordinary	0%	100%
Kultatie Oy	Finland	Ordinary	0%	80% <sup>2</sup>
Litiumloydos Oy	Finland	Ordinary	83.6% <sup>3</sup>	80% <sup>3</sup>
Sunstone Metals Canada Ltd	Canada	Ordinary	100%	100%
Sunstone Metals Ecuador S.A.	Ecuador	Ordinary	100% <sup>4</sup>	100% <sup>4</sup>
La Plata Minerales SA	Ecuador	Ordinary	87.5%	87.5%
Golden Exploration Ecuador SA	Ecuador	Ordinary	0% <sup>5</sup>	0%

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

<sup>1</sup> Scandian Metals AB is a 100% owned subsidiary of Scandian Metals Pty Ltd

<sup>2</sup> Kultatie Oy is an 83.6% owned subsidiary of Kultatie Holding Oy. During the financial year ended 30 June 2021 Sunstone sold its interest in the Southern Finland Gold Project (Kultatie Oy and Kultatie Holding Oy) to NewPeak Metals Ltd (ASX:NPM).

<sup>3</sup> Litiumloydos Oy is an 83.6% owned subsidiary of Scandian Metals AB

<sup>4</sup> Sunstone Metals Ecuador is a 100% owned subsidiary of Sunstone Metals Canada

<sup>5</sup> Golden Exploration Ecuador SA is subject to a Staged Acquisition Agreement for Sunstone to ultimately hold 100%

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 25. ASSOCIATES

At 30 June 2021 the Group held 61,638,652 shares in Copperstone Resources AB which equated to 5.6% of the shares on issue (2020: 25.2%). As the interest held in Copperstone has reduced significantly the Group is no longer considered to have any significant influence over Copperstone and the Group has discontinued the use of the equity method and recognises the retained investment at its fair value.

	2021 \$	2020 \$
Current assets	-	3,180,742
Non-current assets	-	49,884,843
<b>Total assets</b>	<b>-</b>	<b>53,065,584</b>
Current liabilities	-	770,782
Non-current liabilities	-	7,446,784
<b>Total liabilities</b>	<b>-</b>	<b>8,217,565</b>
<b>Net assets</b>	<b>-</b>	<b>44,848,019</b>
Issued Capital	-	60,731,455
Accumulated losses	-	(15,883,436)
Share based payment reserve	-	-
<b>Total shareholders' equity</b>	<b>-</b>	<b>44,848,019</b>
Net income/(loss)	-	(1,558,562)
Total Comprehensive income/(loss)	-	(1,558,562)
Reconciliation of the consolidated entity's carrying amount:		
Opening carrying account	<b>16,716,124</b>	11,535,646
Shares acquired on the disposal of Avalon Minerals Viscaria AB	-	882,044
Shares sold during the financial year	<b>(758,552)</b>	(865,319)
Gain on sale of shares	<b>133,868</b>	(16,725)
Share of gain/(loss)	<b>343,094</b>	(392,978)
Reversal of impairment / (impairment)	<b>891,994</b>	5,573,456
Reclassification to Financial assets at fair value through profit or loss	<b>(17,326,528)</b>	
<b>Closing carrying amount</b>	<b>-</b>	<b>16,716,124</b>

### NOTE 26. CONTINGENT ASSETS AND LIABILITIES

Further consideration of \$1.5 million is receivable from NewPeak Metals Limited (refer to Note 8) contingent on delivery of at least 450,000 ounces of gold in Measured and Indicated Resources from the acquired permits. As the project is at an early stage of exploration it is not considered highly probable that this milestone will be met, as required under AASB 137, and therefore Sunstone has not recognised a receivable for this further consideration contributing to the loss on sale of subsidiary in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The Company is not aware of any other material contingent assets or liabilities at 30 June 2021 not otherwise disclosed in the Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 27. DIVIDENDS

No dividend was paid or declared by the Company in the period since the end of the previous financial year, and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial period ended 30 June 2021 (2020: nil).

The balance of the Company's franking account is nil (2020: nil).

### NOTE 28. EVENTS OCCURRING AFTER REPORTING DATE

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

### NOTE 29. SEGMENT REPORTING

The Group has determined its operating segment based upon reports reviewed by the Board (Chief Operating Decision Makers) for making strategic decisions. The Board has identified three operating segments being exploration for and evaluation of copper, gold and lithium projects in Ecuador and Finland, as well as investments held through the Australian Parent Company.

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

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

### GEOGRAPHICAL AREAS

Other income is mainly derived from interest and sale of certain assets, and non-current assets by geographical location is detailed below.

	2021 \$	2020 \$
<b>Other income</b>		
Australia	286,485	164,980
Ecuador	19,643	24
Finland	27,338	-
	<b>333,466</b>	<b>165,004</b>
<b>Non-current assets</b>		
Australia	16,503,221	22,311,464
Ecuador	14,633,671	13,645,759
Finland	786,169	2,918,142
	<b>31,923,061</b>	<b>38,875,365</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 30. PARENT ENTITY INFORMATION

Information relating to Sunstone Metals Limited:

	2021 \$	2020 \$
Current assets	11,819,046	3,513,134
Non-current assets	21,271,708	24,309,524
<b>Total assets</b>	<b>33,090,754</b>	<b>27,822,658</b>
Current liabilities	636,434	631,357
<b>Total liabilities</b>	<b>636,434</b>	<b>631,357</b>
<b>Net assets</b>	<b>32,454,320</b>	<b>27,191,302</b>
Issued Capital	88,193,617	88,193,617
Accumulated losses	(59,685,616)	(64,785,835)
Share based payment reserve	3,946,319	3,783,520
<b>Total shareholders' equity</b>	<b>32,454,320</b>	<b>27,191,302</b>
Net income/(loss) for the year	5,100,219	(7,685,705)
Total Comprehensive income/(loss)	5,100,219	(7,685,705)

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 (2020: \$15,225) representing term deposits securing performance guarantees over rental of the Company's office premises.

# DIRECTOR'S DECLARATION

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

In the opinion of the Directors:

- (a) the financial statements and notes of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2021 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 2021.

On behalf of the Board



Mr Graham Ascough  
**Chairman**

Brisbane, Queensland  
8 September 2021

## INDEPENDENT AUDITOR'S REPORT

To the members of Sunstone Metals Limited

### Report on the Audit of the Financial Report

#### Qualified 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 2021, 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, except for the effects of the matter described in the *Basis for qualified opinion* section of our report, 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 2021 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 qualified opinion

Sunstone Metals Limited holds an investment in Copperstone Resources AB ('Copperstone'), which was recognised as a foreign associate accounted for by the equity method as at 30 June 2020. During the financial year ended 30 June 2021, the Group's ownership interest decreased from 25% as at 30 June 2020 to 5.6% as at 30 June 2021 which resulted in a change of the investment accounting to a financial asset at fair value through profit or loss as the Group no longer had significant influence. As at 30 June 2021, the investment is recognised at \$11,619,638 within the financial assets at fair value through profit or loss of \$11,783,019 on the consolidated statement of financial position. The Group's share of Copperstone's profit up to the day it ceased to be an associate on 29 January 2021 was \$343,349 and the reversal of impairment of \$891,994 is included in the consolidated statement of Profit and Loss and Other Comprehensive Income for the year then ended.

We were unable to obtain sufficient appropriate audit evidence to support the carrying value of the Group's investment in Copperstone as at 30 June 2020 and the Group's share of Copperstone's profit for the financial year then ended because we were denied access to the financial information, management, and the auditors of Copperstone. This resulted in a qualification to our audit report for the year ended 30 June 2020 and a qualification to the review report for the half year ended 31 December 2020. We remain unable to obtain sufficient appropriate audit evidence to support the share in Copperstone's profit up to the day it ceased to be an associate on 29 January 2021. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations*

Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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. In addition to the matter described in the *Basis for qualified opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

#### Recoverability of exploration and evaluation assets

<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>Refer to Note 10 in the financial report</p> <p>The Group has capitalised exploration and evaluation assets in relation to the application of the Group's accounting policy for exploration and evaluation assets.</p> <p>The recoverability of exploration and evaluation assets is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>The significance of the total balance; and</li> <li>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.</li> </ul>	<p>Our procedures included, but are not limited to the following:</p> <ul style="list-style-type: none"> <li>Obtaining evidence that the Group has valid rights to explore in the areas represented by the capitalised exploration and evaluation expenditure by obtaining supporting documentation such as licence agreements and also considering whether the Group maintains the tenements in good standing;</li> <li>Tested a sample of capitalised exploration expenditure during the year to ensure it meets the recognition criteria under AASB 6;</li> <li>Making enquiries of management with respect to the status of ongoing exploration programs in the respective areas of interest and assessing the Group's cash flow forecast for the level of budgeted spend on exploration projects;</li> <li>Enquiring of management, reviewing ASX announcements and reviewing directors' minutes to ensure that the Group had not decided to discontinue activities in any applicable areas of interest and to assess whether there are any other facts or circumstances that existed to indicate impairment testing was required; and</li> <li>Reviewed budgets and evaluated assumptions made by the entity to ensure that substantive expenditure on further exploration for and evaluation of the mineral resources in the areas of interest were planned.</li> </ul>

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

#### Other information

The directors are responsible for the other information. The other information comprises the information contained in Group's annual report for the year ended 30 June 2021, but does not include the financial report and our 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:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 25 of the directors' report for the year ended 30 June 2021

In our opinion, the Remuneration Report of Sunstone Metals Limited, for the year ended 30 June 2021, 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



R M Swaby  
Director

Brisbane, 8 September 2021

# ASX ADDITIONAL INFORMATION

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

## SHAREHOLDINGS

### SUBSTANTIAL SHAREHOLDERS

The following are substantial shareholders within the Company as per announcements to ASX as at 31 August 2021.

Holders (above 5%)	Ordinary shares held	Interest held
Valbonne II	127,953,887	5.79%

### CLASS OF SHARES AND VOTING RIGHTS

At 31 August 2021, there were 2,320 holders of the ordinary shares of the Company. The voting rights attached to the ordinary shares, set out in clause 93 of the Company’s Constitution, are:

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

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

At 31 August 2021, 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 31 AUGUST 2021)

Category	Number of holders
	Ordinary shares
1 - 1,000	93
1,001 - 5,000	31
5,001 - 10,000	18
10,001 - 100,000	861
100,001 - 1,000,000	982
1,000,001 and over	335
	<b>2,320</b>

There were 195 holders holding less than a marketable parcel of ordinary shares as at 31 August 2021.

### UNQUOTED SECURITIES

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

### RESTRICTED SECURITIES

There were no restricted securities as at 31 August 2021.

## TWENTY LARGEST SECURITY HOLDERS AS AT 31 AUGUST 2021

Holder name	Ordinary Shares	
	Number	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	234,408,432	10.61
BNP PARIBAS NOMS PTY LTD <DRP>	88,083,040	3.99
POTEZNA GROMADKA LTD	57,566,320	2.60
MR DARREN CARTER	56,861,000	2.57
ALTOR CAPITAL MANAGEMENT PTY LTD <ALTOR ALPHA FUND A/C>	41,789,460	1.89
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	36,206,101	1.64
BT PORTFOLIO SERVICES LIMITED <WARRELL HOLDINGS S/F A/C>	34,000,000	1.54
MOHD FAIQ ABU SAHID	30,558,847	1.38
CITICORP NOMINEES PTY LIMITED	23,824,761	1.08
MR ROHAN WILLIAM HALFPENNY + MRS PHITSAMAI THONGLA HALFPENNY	21,286,009	0.96
WYNTORC SA	20,777,778	0.94
PRECISION OPPORTUNITIES FUND LIMITED <INVESTMENT A/C>	20,000,000	0.90
LOTUS RESEARCH PTY LTD	17,565,790	0.79
CROMMO PTY LTD	17,365,000	0.79
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	16,680,796	0.75
NINIGO INVESTMENTS PTY LTD	16,362,000	0.74
NATIONAL NOMINEES LIMITED	15,603,315	0.71
NELSON ENTERPRISES PTY LTD <CAVAN STREET A/C>	15,500,000	0.70
BNP PARIBAS NOMS PTY LTD <UOB KH P/L AC UOB KH DRP>	14,160,000	0.64
MR GAVIN LEICHT	14,067,837	0.64
<b>Total</b>	<b>792,666,486</b>	<b>35.87</b>

### OTHER INFORMATION

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



# 2021 ANNUAL REPORT

[sunstonemetals.com.au](http://sunstonemetals.com.au)