

Receipt of A\$3.3M strengthens cash at bank; Copperstone shareholding now worth A\$18.7M

Next hole underway and assays pending at Espiritu silver-gold discovery

Key Points

- **A\$3.3M received from Copperstone; Cash balance now at A\$4M**
- **Market value of Sunstone's remaining Copperstone shares is A\$18.7M**
- **Drilling of hole 10 is underway at the Espiritu silver-gold discovery in Ecuador**
- **Assays from ESDD008 and 009 are expected within four weeks**
- **Drilling at the Brama copper-gold porphyry target has commenced**
- **At El Palmar, in northern Ecuador, a ground magnetic survey has commenced and will form the basis for defining targets with drilling to commence in April**

Sunstone Metals Ltd (ASX: STM) is pleased to provide an update on corporate activities along with exploration at its Espiritu silver-gold discovery and Brama porphyry gold-copper target, both within its Bramaderos project in southern Ecuador, and from the El Palmar copper-gold porphyry target in northern Ecuador (Figure 1).

Funding

The remaining A\$3.3 million has now been received from Copperstone Resources for the amended Tranche 2 payment. Sunstone also holds 154 million Copperstone shares valued today at ~A\$18.7 million.

Sunstone has also concluded the agreement with NewPeak Metals to divest its southern Finland gold assets and is due to receive \$75,000 cash and A\$250,000 in NewPeak shares (See ASX announcement 29 January 2021).

Bramaderos gold-copper-silver porphyry and epithermal project, southern Ecuador

At Espiritu, drill holes ESDD008 and 009 have been completed (Figures 1, 2) and assays are expected within four weeks.

Hole ESDD010 has commenced, and ESDD011 is planned with drill pad preparation underway. All drill holes are targeting both the high-grade silver-gold-polymetallic veins and the thicker lower grade intervals. Mineralisation has been defined from drilling to date over a strike length of 600m. ESDD011 will be drilled to the northwest of, and below holes ESDD005 and 006 to map the vertical extent of high-grade zones intersected in these holes (see ASX announcements dated 21 Jan 2021 and 1 Dec 2020), and to drill additional near surface mineralised positions.

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Drill holes are also planned to test the significant silver anomalies in surface sampling located 800m south-east of the initial Espiritu drill holes (Figure 3). Field mapping has identified northeast trending veins with copper, zinc and lead minerals, comparable to trench and surface outcrops at Espiritu.

At Brama, drilling has commenced on hole BMDD008 targeting a pencil porphyry gold-copper target (Figures 1, 4 & 5). The target has been identified based on 3-D modelling of magnetics and sits below a well mineralised gold-copper intrusive breccia domain. Drilling will extend into March and assay results are expected in late April.

El Palmar copper-gold porphyry project, northern Ecuador

Field activities have commenced at El Palmar (Figure 6). Line clearing and ground magnetic data collection is underway. The magnetic survey, including data processing, is expected to take several weeks. Drill targets will be defined once this data is to hand and drilling will commence in April, with first assays expected during Q2 2021.

Historical drill holes are being re-logged, and additional rock alteration data are being collected to aid in vectoring towards drill targets.

Sunstone Managing Director Malcolm Norris said: “We are very enthusiastic about the current and planned drilling across three targets. Espiritu is a very promising discovery, and we are improving our understanding of the geometry of the vein system with every hole. We are very pleased to be drilling at Brama based on our new geophysical model. The target is robust, we are within a mineralised porphyry system, and we are drilling for grade. The first drill hole into the new El Palmar target will be exciting, but the first step is to build a 3-D magnetic model and integrate that with updated geological data. More news flow from El Palmar will come with these pre-drilling steps.

“The receipt of the additional A\$3.3m cash is a significant outcome for the company. We were able to bring forward by a number of years the ‘at risk’ tranche 2 consideration. These funds combined with the ~\$19m of Copperstone shares and current cash means that we are in a very strong financial position to implement and deliver upon our strategy for discovery and creating significant shareholder value.”

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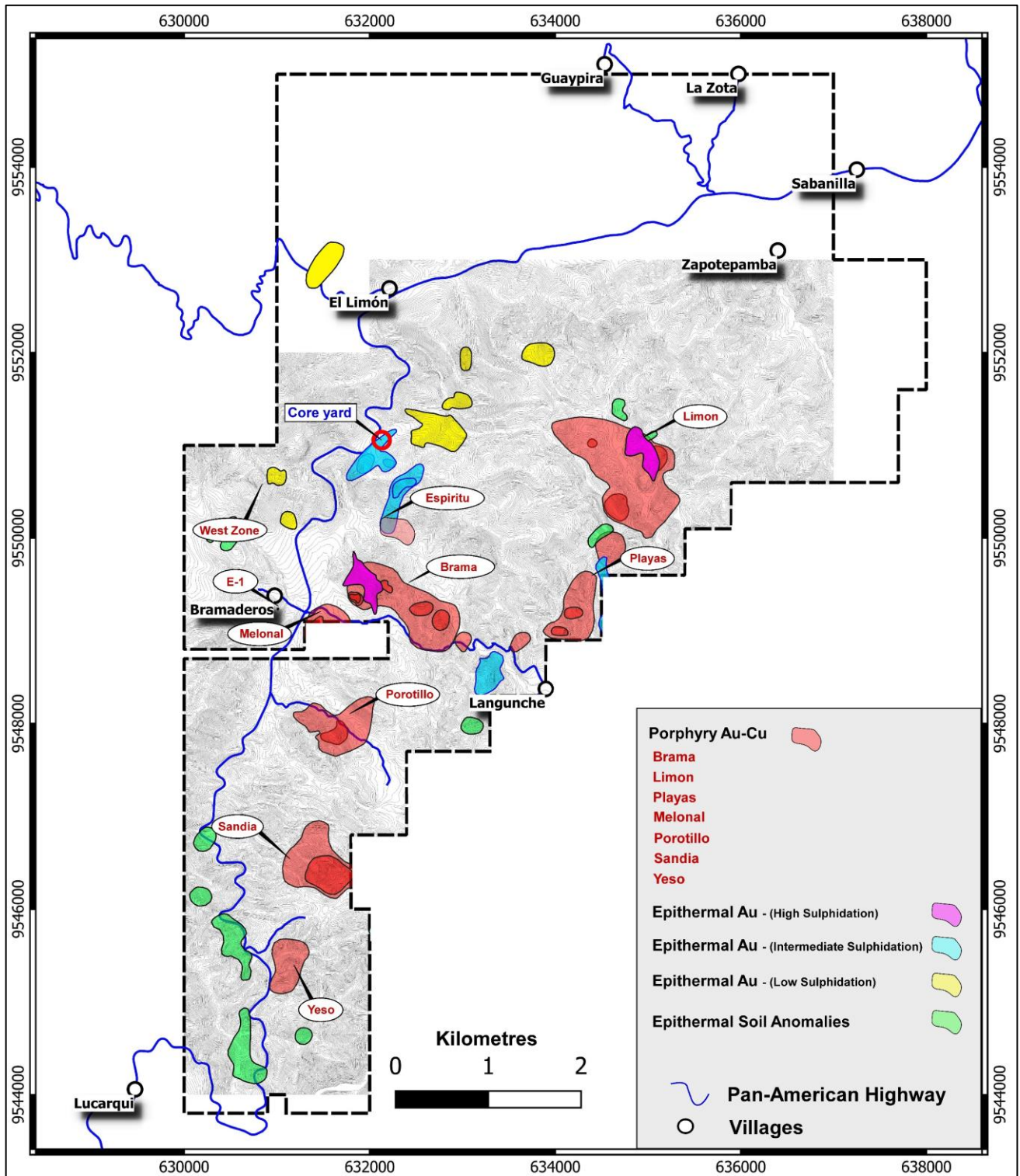


Figure 1: Bramaderos Project, target locations

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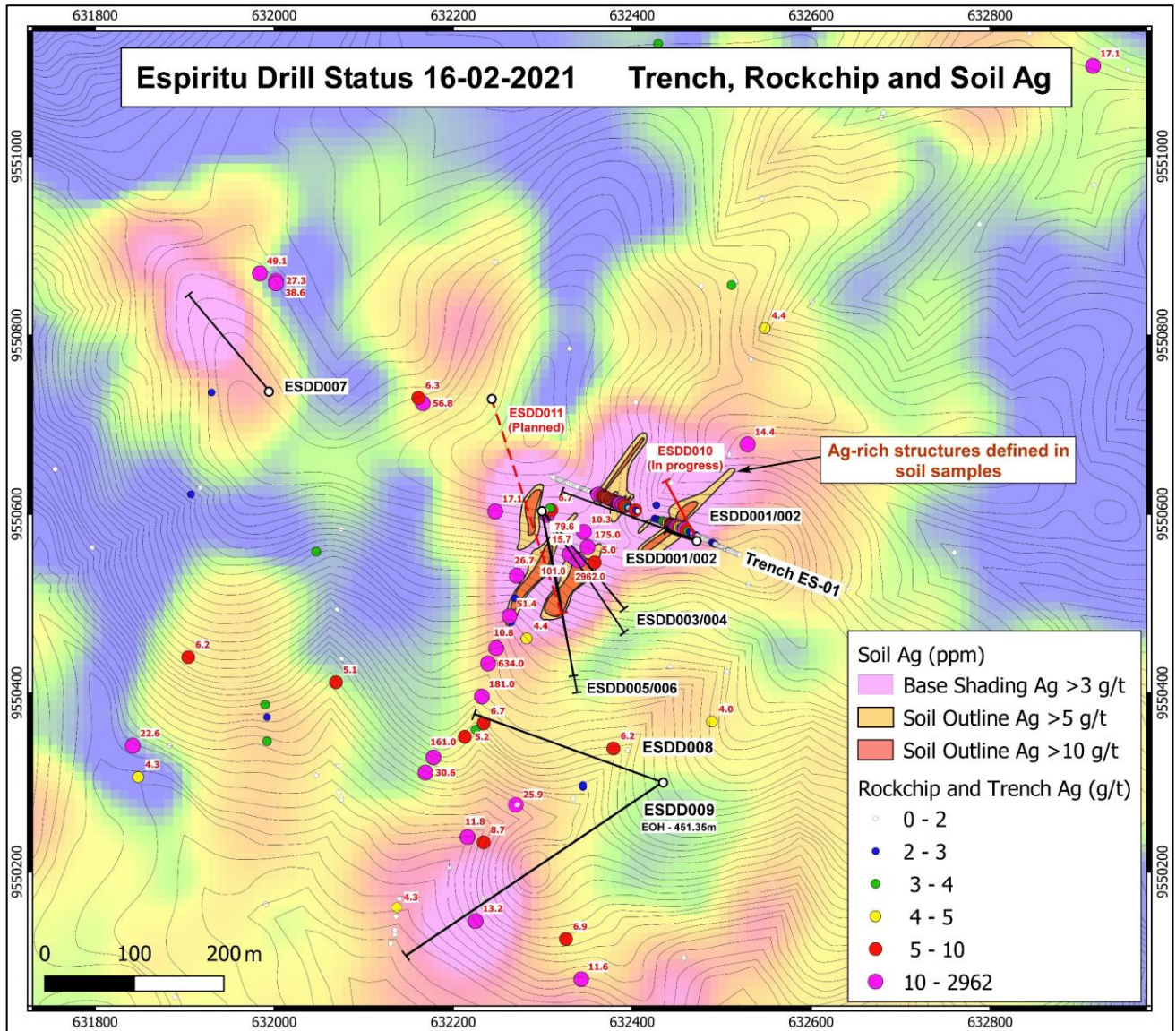


Figure 2: Espiritu silver-gold epithermal target drill status plan.

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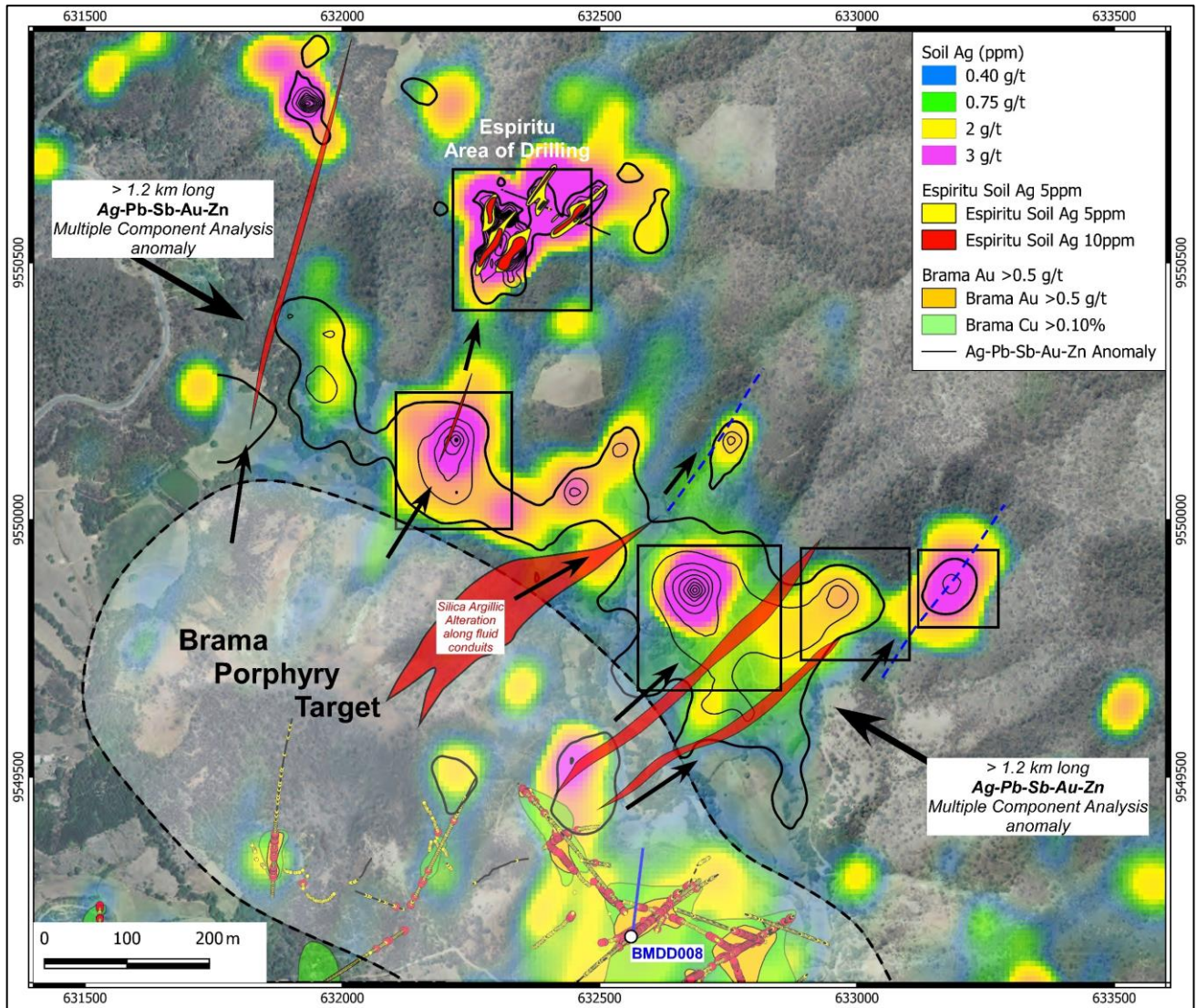


Figure 3: Location and status of other Espiritu style targets in the vicinity of the Espiritu drilling program, and adjacent to the Brama porphyry system. Drilling is planned for other silver-in-soil anomalies to the southeast of Espiritu.

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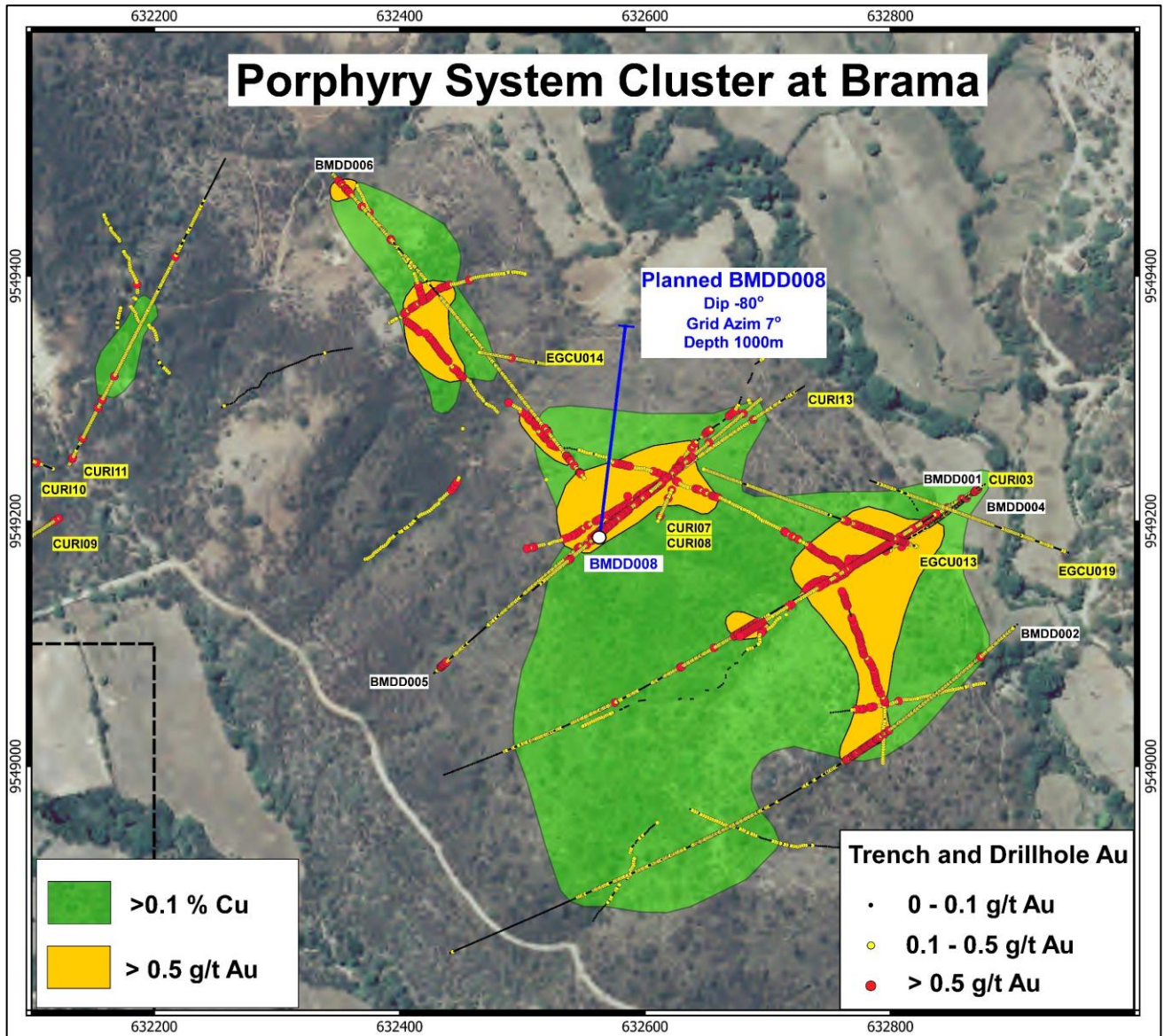


Figure 4: Plan view of drill hole BMDD008 at the Brama gold-copper porphyry target. The hole is in progress.

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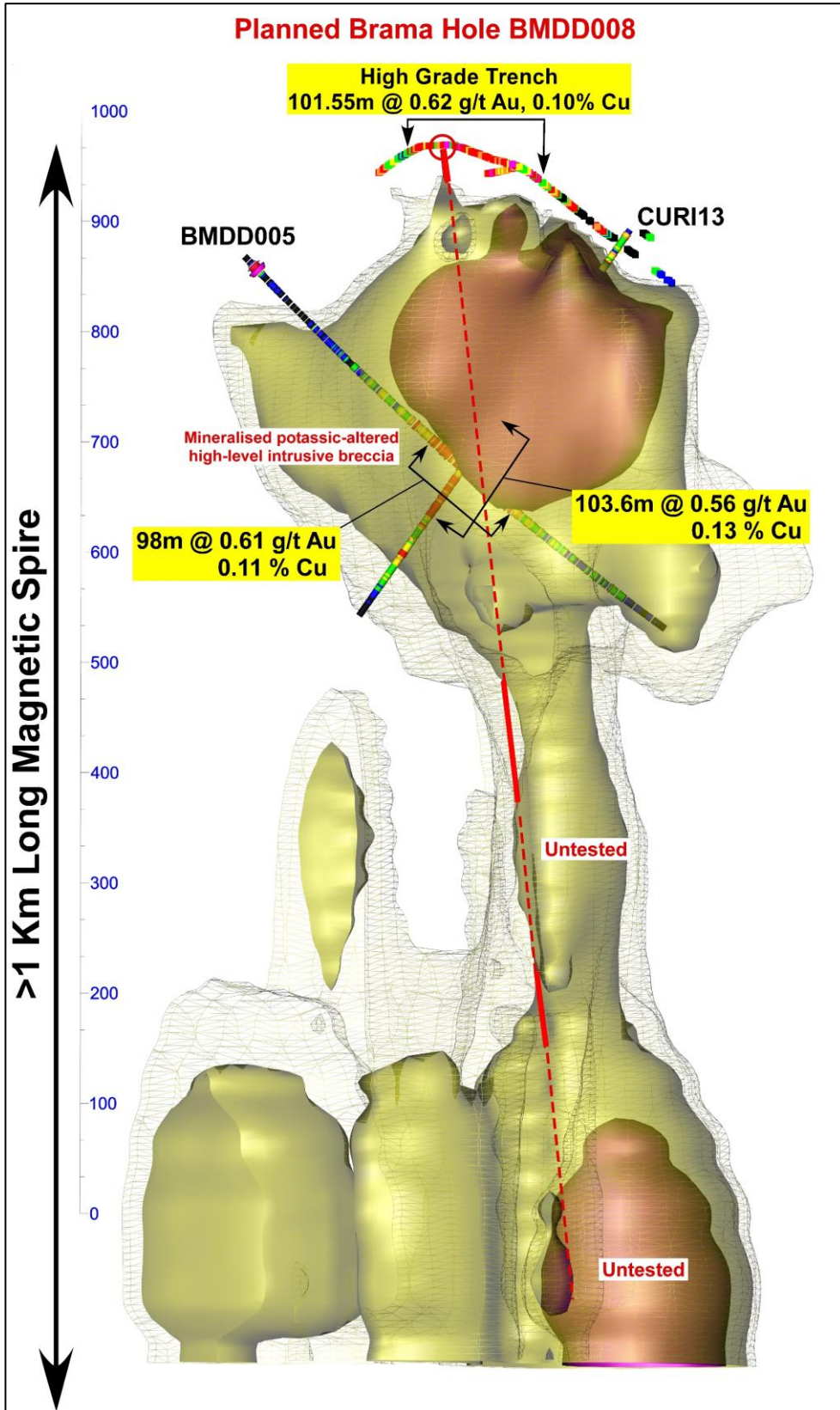


Figure 5: Cross section showing target zone for BMDD008 showing 3-D modelling of magnetics which demonstrate potential for a 'pencil porphyry' target below a high level mineralised intrusive breccia.

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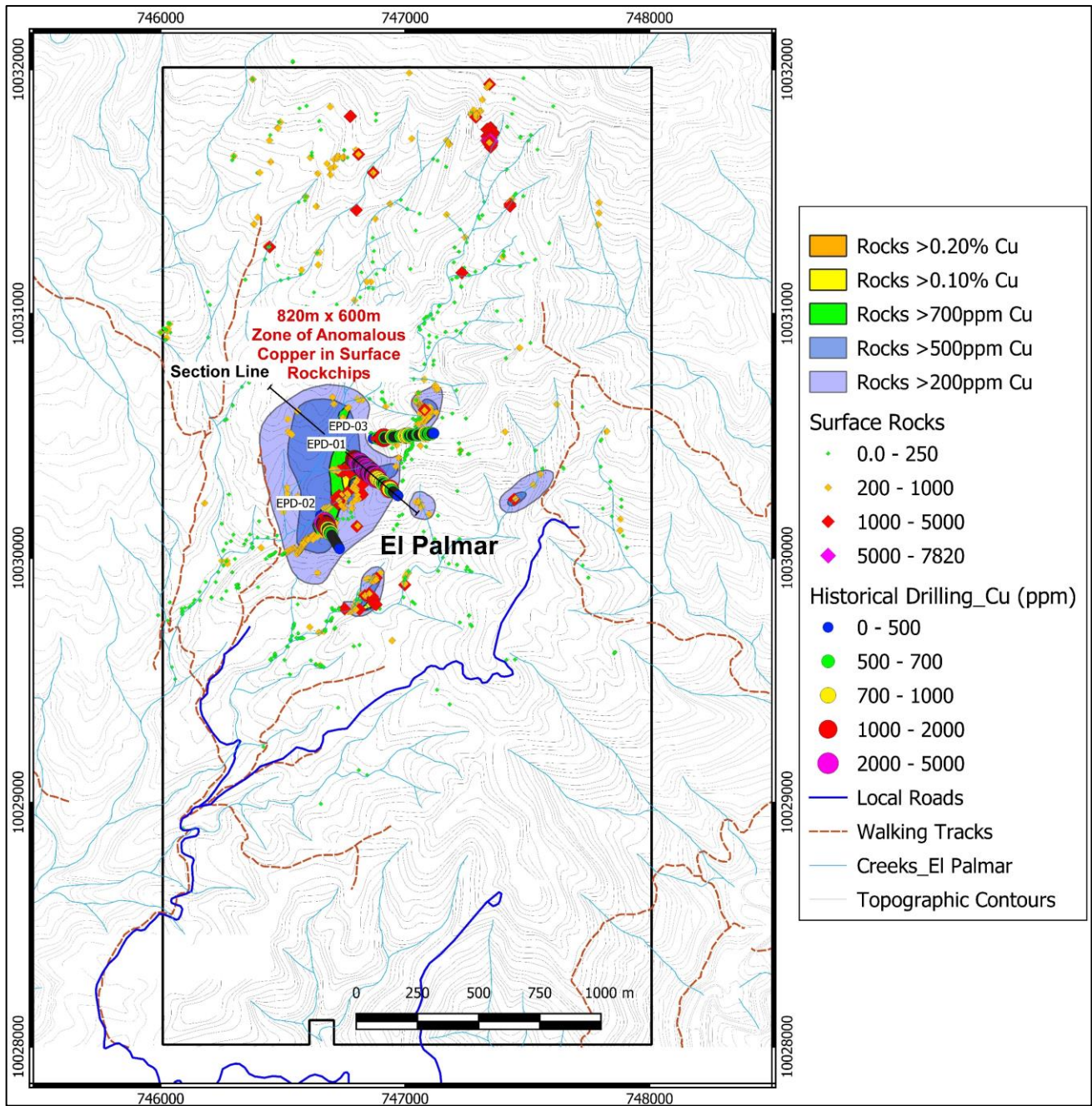


Figure 6: Plan diagram showing the El Palmar concession area and the location of the 3 historical drill holes and areas of anomalous copper in surface sampling. A detailed ground magnetic survey has commenced over the main porphyry target, and areas to the north and south will be surveyed as second and third priority in the coming weeks.

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About Sunstone Metals

Sunstone has an advanced portfolio of exploration projects in Ecuador. The portfolio comprises:

1. **The Bramaderos Gold-Copper Project** where Sunstone owns an 87.5% interest with TSXV listed Cornerstone Capital Resources holding 12.5% (see ASX announcement dated 10th April 2017, 28th August 2019, and 7 January 2020). The Bramaderos gold-copper project is located in Loja province, southern Ecuador, and is highly prospective for the discovery of large porphyry gold-copper systems, and high-grade epithermal gold systems. Historical exploration results from drilling at Bramaderos together with recent exploration by Sunstone and joint venture partner Cornerstone Capital Resources (TSXV:CGP) indicate multiple fertile mineralised systems with significant discovery potential.
2. **The El Palmar Copper-Gold Project** where the highly prospective 800ha El Palmar copper-gold porphyry project in Ecuador will be acquired through a Staged Acquisition Agreement, which will ultimately deliver 100% ownership to Sunstone.
3. **Sunstone has a significant equity interest** in Stockholm listed Copperstone Resources (COPP-B.ST) following the sale of the Viscaria Copper project to Copperstone in 2019.
4. **The Scandinavian Lithium Project** includes the Kietyönmäki lithium prospect. Drilling by Sunstone has delivered 24.2m at 1.4% Li₂O in a spodumene-bearing pegmatite. The project is held under a JV with Nortec Minerals where Sunstone owns 83.6%.

Competent Persons Statement

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

Mr Malcolm Norris, Managing Director of Sunstone Metals Ltd., has authorised this announcement to be lodged with the ASX.

For further information, please visit www.sunstonemetals.com.au

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