



ABN 68 123 184 412

# Half-Year Financial Report 31 December 2023

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## CORPORATE DIRECTORY

### Directors

Graham Ascough – Non-Executive Chairman  
Malcolm Norris – CEO/Managing Director  
Stephen Stroud - Non-Executive Director  
Patrick Duffy - 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)

### Share Registry

Computershare Investor Services Pty Ltd  
200 Mary Street  
Brisbane Qld 4000  
Investor Enquiries: 1300 850 505  
Website: [www.computershare.com.au](http://www.computershare.com.au)

### Auditor

HLB Mann Judd  
Level 15/66 Eagle Street  
Brisbane Qld 4000

### Bank

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

### Registered Office and principal place of business

#### Australia

9 Gardner Close  
Milton Qld 4064  
Telephone: 07 3368 9888

Web site: [www.sunstonemetals.com.au](http://www.sunstonemetals.com.au)

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

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# Directors' Report

Your Directors present their report on Sunstone Metals Limited ("Sunstone" or "Company") and the entities it controlled ("Consolidated Entity" or "Group") for the half-year ended 31 December 2023.

## Directors

The following persons were Directors of Sunstone at any time during the half-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
Mr Patrick Duffy	Non-Executive Director (appointed 8 November 2023)

## 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 members during the financial period.

## Review of operations

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

	Half-year ended	
	2023	2022
	\$	\$
Revenue and other income	85,953	158,781
Profit/(loss) before income tax	(907,281)	(1,163,266)
Income tax expense	-	-
Profit/(loss) attributable to members of Sunstone Metals Limited	(907,281)	(1,166,090)
Profit/(loss) attributable to non-controlling interests	-	2,824
<b>Earnings per share</b>	<b>2023</b>	<b>2022</b>
	<b>cents</b>	<b>cents</b>
Basic earnings per share	(0.0)	(0.0)

## Financial Performance

During the half-year ended 31 December 2023 the Group incurred a loss of \$907,281 (2022: loss of \$1,163,266). The loss for this period is largely due to corporate costs incurred to fund the progression of activities in Ecuador in addition to a net fair value loss on financial assets recognised, related to the shareholdings in United Lithium Corp and New Peak Metals Ltd of \$99,080 (2022: gain of \$440,112).

The Company's non-current assets increased from \$69,375,409 at 30 June 2023 to \$76,646,587 at 31 December 2023, primarily due to capitalised exploration expenses on the Bramaderos and El Palmar Projects in Ecuador.

During the half-year, the Company had a net increase in contributed equity of \$4,591,500 related to the share placement in December 2023 of 405,750,000 shares at \$0.012.

At the end of the financial period, the Group had cash balances of \$4,537,069 (June 2023 \$10,306,546) and net assets of \$80,344,063 (June 2023: \$78,143,644). Total liabilities amounted to \$1,344,893 (June 2023: \$1,907,219) and included trade, other payables and provisions.

# Directors' Report

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**Figure 1:** Location of the El Palmar project in northern Ecuador, the Verde Chico project nearby, and the Bramaderos Project in southern Ecuador.

## Operations Summary

### **Bramaderos gold-copper and silver-gold 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 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 (Figure 1). The area has nearby available hydro-power, supporting the economics of potential development opportunities, and gentle topography with an average elevation of around 1,100m above sea level. The project is also supported by nearby commercial airports and significant population centres such as the city of Loja, and the project has strong community support. Gold and copper mineralisation outcrops at surface.

## Directors' Report

During the half-year ended 31 December 2023, Sunstone continued to deliver outstanding gold and silver assays from Limon, which shows Limon is on track to be a substantial gold-silver deposit (Figures 2-4).

The Limon gold-silver epithermal discovery has moved from discovery to Exploration Target in less than 10 months. The epithermal system was first identified in hole LMDD012 drilled in January 2023. The discovery hole for the Limon gold-silver epithermal system was hole LMDD017 which intersected 176.7m at 1.1g/t AuEq\* (0.97g/t gold and 10.1g/t silver), from 6.8m, and was drilled in February 2023. An Exploration Target for Limon (see ASX releases dated 9 November 2023 and 5 February 2024) has been prepared and reported in accordance with the JORC Code (2012) and consists of between approximately 30 and 44 million tonnes at a grade of between 0.9 and 1.2g/t AuEq\*, for between 0.9 and 1.7mill oz AuEq. The AuEq calculation for Limon is provided below and comprises contribution from gold and silver only.

The potential tonnage, grade and quantity of the Exploration Target is conceptual in nature. There has been insufficient exploration to estimate a Mineral Resource for the target area reported. It is uncertain if further exploration will result in the estimation of a Mineral Resource.

There is now abundant evidence to demonstrate that Limon has every potential to deliver a significant standalone operation or a starter pit opportunity for the large-tonnage Bramaderos gold-copper-silver porphyry development. The Limon epithermal gold and silver deposit is not included in the December 2022 2.7Moz AuEq Brama-Alba Mineral Resource estimate (see Table 1 below) or the 3.3 – 8.6Moz AuEq Exploration Target at Bramaderos (see ASX release dated 13 December 2022).

The Limon deposit sits adjacent to and above the Limon porphyry target. Drill hole LMDD010 drilled what is interpreted to be a shallow finger of a much larger porphyry system. It intersected 79m at 0.52g/t gold, 0.195% copper and 9.4g/t silver below a trench that returned 98m at 0.71g/t gold and 0.23% copper. The very large compelling porphyry target, interpreted to sit below these shallow intersections, is expected to be drilled in 2024.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement for the Mineral Resource estimate and Exploration Target referred to above and, that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

**Table 1:** Brama-Alba Mineral resource estimate.

JORC Classification	Tonnage (Mt)	Au (g/t)	Cu (%)	Ag (g/t)	AuEq (g/t)	AuEq (Mozs)
Indicated	9	0.38	0.09	1.1	0.53	0.2
Inferred	147	0.35	0.11	1.3	0.53	2.5
<b>Total</b>	<b>156</b>	<b>0.35</b>	<b>0.11</b>	<b>1.3</b>	<b>0.53</b>	<b>2.7</b>

- Due to the effect of rounding, the total may not represent the sum of all components

-- A reporting cut-off grade of 0.3 g/t AuEq was adopted.

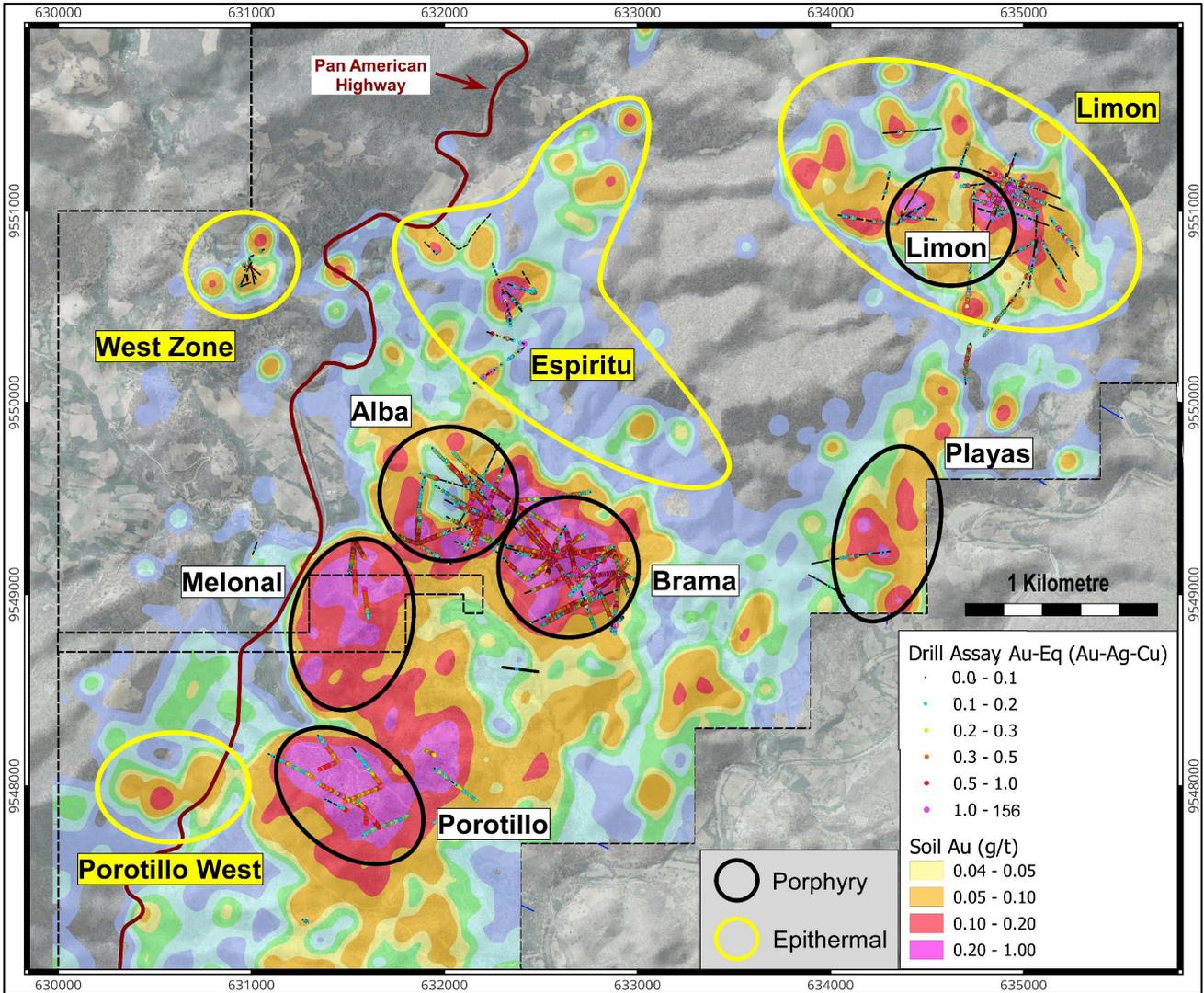
--- Metal equivalent recovery assumptions are supported by metallurgical test work.

\*The gold equivalent calculation formula for the MRE and the Exploration target is  $AuEq(g/t) = (Au \text{ grade} \times Au \text{ price} \times Au \text{ recov} / 31.1035) + (Ag \text{ grade} \times Ag \text{ price} \times Ag \text{ recov} / 31.1035) + (Cu \text{ grade} \times Cu \text{ price} \times Cu \text{ recov} / 100) / (Au \text{ price} \times Au \text{ recov} / 31.1035)$ . The prices used were US\$1,800/oz gold and US\$9,500/t copper and US\$22/oz silver. Recoveries are estimated at 89% for gold, 85% for copper, and 60% for silver based on metallurgical studies (see ASX release dated 13 December 2022). In Sunstone's opinion all the elements included in the metal equivalents calculation have reasonable potential to be recovered and sold.

\*The gold equivalent calculation formula for the gold-silver epithermal mineralisation at Limon is  $AuEq(g/t) = Au(ppm) + (Ag(ppm)/82)$ . The prices used were US\$1,800/oz gold and US\$22/oz silver. Recoveries are estimated at 90% for gold and 90% for silver from metallurgical studies (see ASX releases dated 9 November 2023 and 5 February 2024). In Sunstone's opinion all the elements included in the metal equivalents calculation have reasonable potential to be recovered and sold.

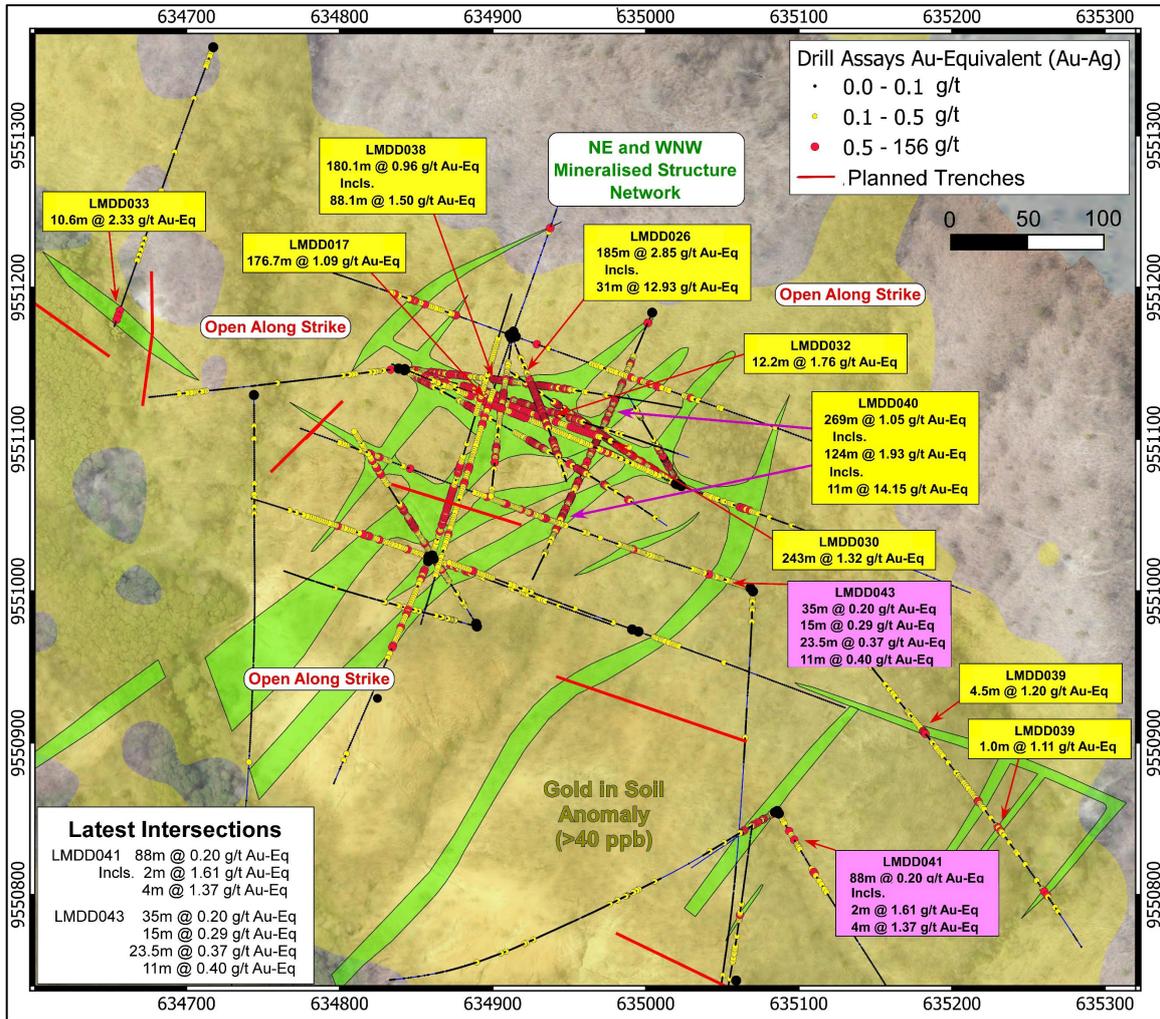
Directors' Report

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**Figure 2:** Gold in soil within the Bramaderos concession and showing the main porphyry (black outline) and epithermal (yellow outline) domains. The background image is gold-in-soil highlighting the potential scale increase to be delivered with more drilling at Bramaderos across multiple targets. Drilling activity during 2023 has been focussed on the Limon gold-silver epithermal opportunity.

# Directors' Report

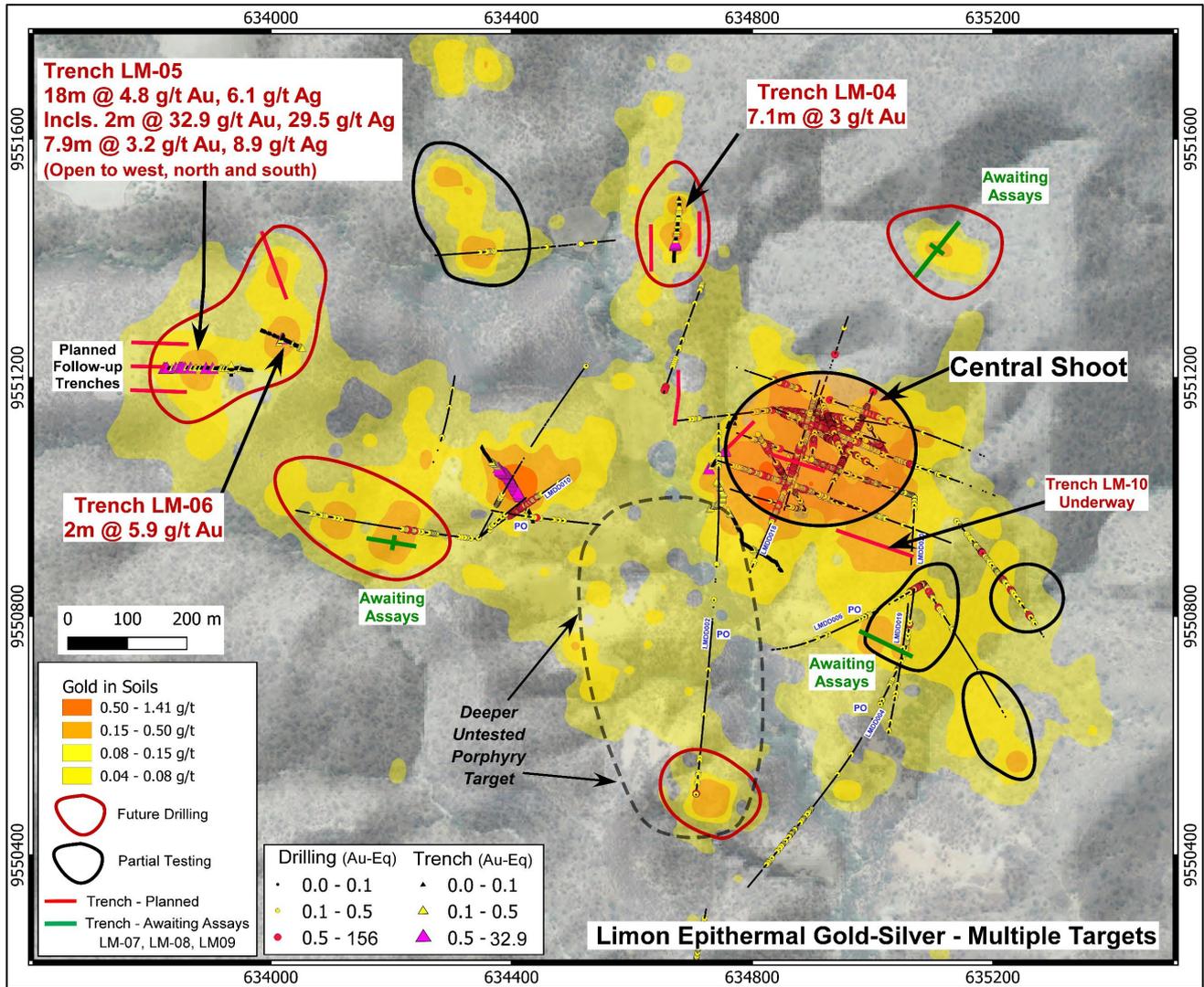


**Figure 3:** Limon epithermal gold-silver system in plan view, showing multiple mineralised structures in green. High-grade domains are at intersections of NE and WNW trending structures. Several additional targets have been defined based on gold-in soil and zinc-in-soil anomalies, and structural interpretation.

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**Figure 4:** Limon gold in soils map showing extensive anomalous gold over an area of 1.7km x 700m. The circled areas have seen partial testing. Trenches LM-04, 05 and 06 are shown in the northern and western parts of the large Limon system. The black dashed line shows the Limon porphyry target outline.

# Directors' Report

## El Palmar Porphyry Copper-Gold Project (Sunstone 70%)

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

During the half-year ended 31 December 2023, Sunstone announced promising assay results from the second hole at the T3 porphyry target (EPDD028, see ASX announcement dated 11th September 2023) which intersected strong gold-copper porphyry mineralisation, and combined with those from the first hole, EPDD026 (see ASX announcement dated 20th June 2023) show T3 is emerging as a very large gold-copper porphyry system. Both holes EPDD026 and 028 are mineralised at end of hole, with magnetic modelling suggesting a vertical extent in excess of 250m. Remodelling of magnetics has delivered a more robust model over the T3 area. The model has identified several magnetic anomalies that could relate to mineralised bodies and these will be drill tested. Some of these extend closer to surface than the anomaly drilled in EPDD026 and 028 (Figure 6).

These results from T3, combined with the known porphyry mineralisation at T1, T2, T5 and the still to be tested T4 target, clearly demonstrate a district with multiple close-spaced and mineralised porphyry centres. This scenario of clustered deposits is very similar to the giant Cobre Panama porphyry copper system in Panama where seven porphyry centres contribute to its overall mineral resources (~4.4Bt at 0.35% copper and 0.06g/t gold at 0.15% copper COG; [www.firstquantum.com](http://www.firstquantum.com)). The clustering of deposits that are being discovered on the El Palmar property within the Eocene belt gives us strong cause to believe that the El Palmar deposits will be regionally significant.

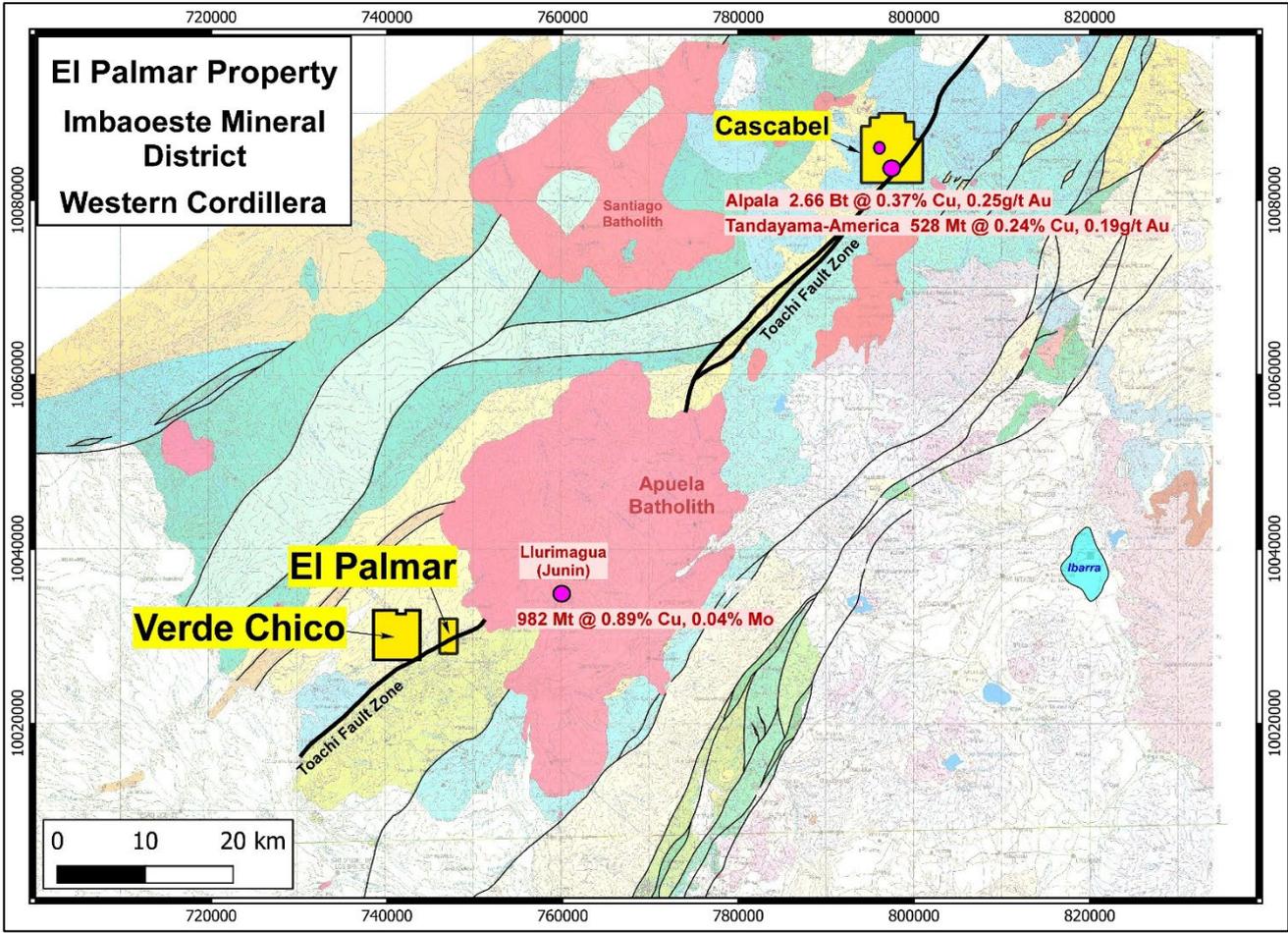
The T3 target is centred on the regionally-significant Toachi Fault zone and its intersection with orthogonal structures – a scenario strongly similar to the Alpala and Tandayama-America copper-gold porphyry deposits, within SolGold's Cascabel project, located 65km to the north-east. Age dating of the rocks associated with mineralisation at El Palmar T1 has confirmed that they are the same geological age as Alpala and are hosted within the northern section of the Eocene volcanic arc. At Cascabel, the 2.66 billion tonne Alpala copper-gold deposit grades 0.25g/t gold and 0.37% copper (0.53% CuEq), and the 0.53 billion tonne Tandayama-America deposit grades 0.19g/t gold and 0.24% copper (0.36% CuEq); see also [www.solgold.com.au](http://www.solgold.com.au) for details). Also in the vicinity is the 1 billion tonne Llurimagua copper-molybdenum porphyry deposit grading 0.89% copper and 0.04% molybdenum (1.0% CuEq).

Sunstone also announced during the period that it had identified a large high-grade gold-silver target with significant potential at El Palmar. Surface sampling has identified the outcropping, well-mineralised epithermal gold-silver opportunity which has been interpreted to cover a large area of at least 600m by 400m. Channel and rock chip sampling have returned values up to 6.2g/t gold and 269g/t silver (see ASX release dated 23 November 2023). Areas of higher-grade gold and silver correlate with linear areas of mapped argillic alteration (Figure 7) that indicate a structurally-controlled system with multiple target areas across a large area. The epithermal system located northwest of T1 occurs along NW- and NE-trending faults.

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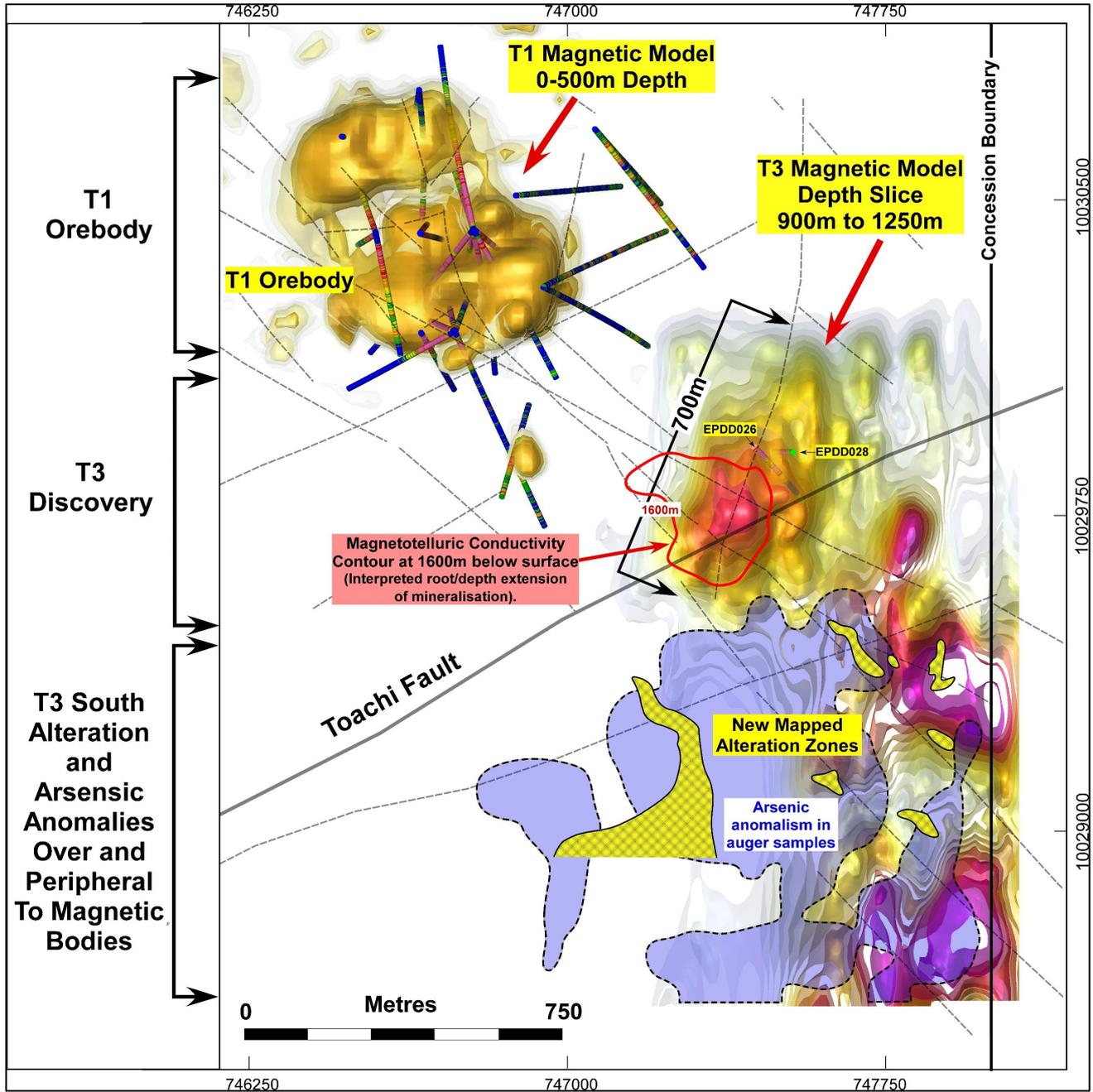
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**Figure 5:** Location of the El Palmar and Verde Chico projects relative to the giant Lurimagua, Alpala and Tandayama-America (Cascabel project) porphyry deposits, and the Toachi fault system.

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**Figure 6:** Plan of the T3 target at ~800m below surface. The broader T3 magnetic complex is approximately 1.5km in extent N-S, and has a 1km width based on magnetics and soil geochemical anomalies. The target has only 3 drill holes drilled to date of which 2 have intersected significant gold-copper mineralisation.

Directors' Report

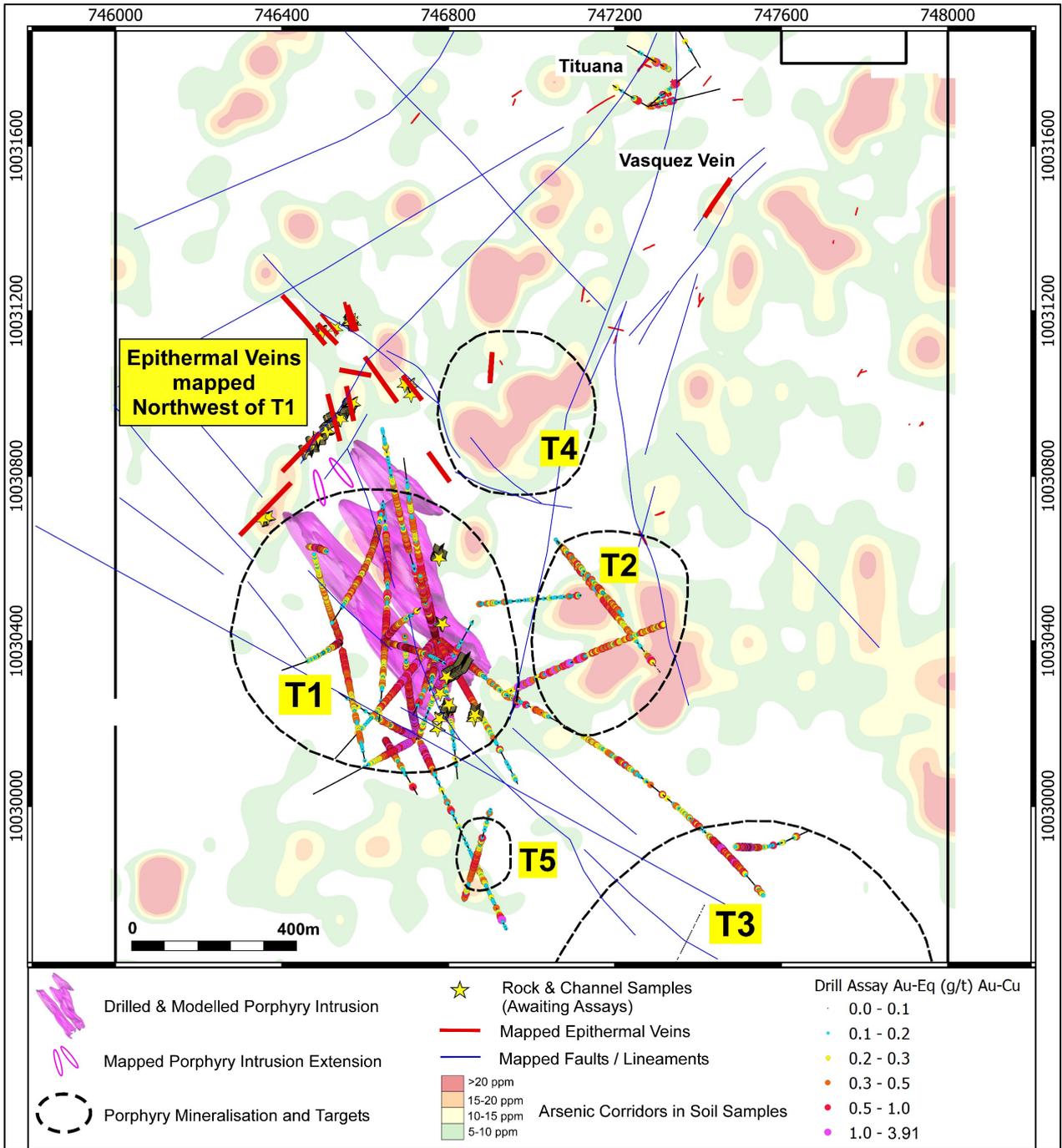


Figure 7: Plan view showing the location of the epithermal veins along structural trend to the northwest of the porphyry gold-copper deposits T1 to T5.

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# Directors' Report

## Verde Chico Project

Sunstone signed a Staged Acquisition Agreement on 23 September 2022 to acquire up to 100% of the Verde Chico Project, located to the west of Sunstone's El Palmar gold-copper porphyry discovery in northern Ecuador, from the Verde Chico Group.

The Verde Chico concession covers 2,872ha and was previously explored by the Rio Tinto group (then called RTZ) in 1992-1995, and by Canadian junior Balaclava Mines in 1998. No exploration has been undertaken on the land since 1998. Historical exploration comprised regional stream sediment sampling, soil sampling, limited geophysics (CSAMT), trench sampling, and diamond drilling. The historical exploration identified a 1.1km-long gold-in-soil anomaly that is open to the north and south, and which includes several high-grade gold-bearing veins at surface and wide lower grade zones of gold mineralisation in some drill holes.

A total of 12 trenches for 683m were opened and sampled following mineralised structures. A total of 28 drill holes for 4,436m were drilled by RTZ and Balaclava. The soil sampling by Rio Tinto which defined the >1.1km long gold-in-soil anomaly is coincident with a CSAMT resistivity anomaly. Significant results include 24m at 21.1g/t gold (Peligrosa vein) and 39m at 3.1g/t gold (Gato vein). Drilling returned results including 52.5m at 1.3g/t gold from 2m in hole RVC08, including 1m at 11.3g/t gold from 40.5m, and 41.5m at 1.3g/t gold from 1m in hole RVC07.

The area of historically identified gold mineralisation covers only 55ha (1,100m x 500m) of the 2,872ha concession so considerable surface exploration is planned to identify additional targets. The first phase of work is exploring the area to the south and southwest of the known gold mineralisation. Initial exploration by Sunstone at Verde Chico has included a program of rock chip sampling and stream sediment sampling, along with formal community agreements and environmental baseline surveys. Further soil sampling, geological mapping and rock chip sampling have commenced.

Significantly, the Toachi Fault zone – a regional controlling structure for significant porphyry and epithermal mineralisation at El Palmar and SolGold's Cascabel project transects the Verde Chico concession .

The El Corazon gold mine, which is currently operating- and has been mined for over 20 years, is believed to have contained between 300,000 and 500,000 ozs of gold in a high-grade epithermal system (based on historical production records), and is also related to the regional Toachi fault system. The mine is located between the El Palmar and Verde Chico concessions.

## **Events occurring after reporting period**

At a General Meeting held on 6 February 2024 shareholder approval was received for director participation in the Placement undertaken in December 2023, as well as the issue of 6,000,000 Options to Mr Patrick Duffy. 12,916,667 shares were issued at \$0.012 per share on 13 February 2024 for consideration of \$155,000. The Options were also issued on 13 February and are exercisable at \$0.042 per option and have a twelve month vesting period and an expiry three years from issue.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's position, the results of those operations, or the Group's state of affairs in future financial periods, except as already disclosed in the half-year financial statements.

## **Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 15.

## Directors' Report

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



**Graham Ascough**

**Chairman  
Sunstone Metals Ltd**

**14 March 2024**

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## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Sunstone Metals Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink that reads 'Adrian' with a stylized flourish underneath.

**A B Narayanan**  
Partner

Brisbane, Queensland  
14 March 2024

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

**HLB Mann Judd (SE Qld Partnership)**

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HLB Mann Judd (SE QLD Partnership) is a member of HLB International, the global advisory and accounting network.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2023

	Note	Half-year ended	
		2023 \$	2022 \$
Other income	4	85,953	158,781
Employee benefits expense	5	(422,448)	(1,339,448)
Corporate and administration expenses		(418,373)	(379,568)
Net fair value gain/(loss) on financial assets at fair value through profit or loss	7	(99,080)	440,112
Depreciation expense	8	(38,032)	(38,032)
Impairment expense		(11,500)	-
Interest paid		(3,801)	(5,111)
<b>Profit/(Loss) before income tax</b>		<b>(907,281)</b>	<b>(1,163,266)</b>
Income tax expense		-	-
<b>Net profit/(loss) for the period</b>		<b>(907,281)</b>	<b>(1,163,266)</b>
<b>Other comprehensive income / (loss)</b>			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(1,648,435)	348,986
<b>Total comprehensive profit/(loss) for the period</b>		<b>(2,555,716)</b>	<b>(814,280)</b>
<b>Net profit/(loss) for the period is attributable to:</b>			
Members of Sunstone Metals Ltd		(907,281)	(1,166,090)
Non-controlling interests		-	2,824
		<b>(907,281)</b>	<b>(1,163,266)</b>
<b>Total comprehensive profit/(loss) for the period attributable to:</b>			
Members of Sunstone Metals Ltd		(2,555,716)	(817,104)
Non-controlling interests		-	2,824
		<b>(2,555,716)</b>	<b>(814,280)</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		(0.0)	(0.0)
Diluted earnings per share		(0.0)	(0.0)

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 31 December 2023

	Note	31-Dec-23 \$	30-Jun-23 \$
<b>Current assets</b>			
Cash and cash equivalents		4,537,069	10,306,546
Trade and other receivables	6	325,004	89,532
Financial assets at fair value through profit or loss	7	180,296	279,376
Total current assets		5,042,369	10,675,454
<b>Non-current assets</b>			
Plant and equipment	8	1,581,409	1,090,916
Exploration and evaluation	9	75,065,178	68,284,493
Total non-current assets		76,646,587	69,375,409
<b>Total assets</b>		<b>81,688,956</b>	<b>80,050,863</b>
<b>Current liabilities</b>			
Trade and other payables	10	460,269	956,136
Lease liabilities	11	38,598	32,581
Provisions	12	450,203	664,532
Total current liabilities		949,070	1,653,249
<b>Non-current liabilities</b>			
Lease liabilities	11	57,382	-
Provisions	12	338,441	253,970
Total non-current liabilities		395,823	253,970
<b>Total liabilities</b>		<b>1,344,893</b>	<b>1,907,219</b>
<b>Net assets</b>		<b>80,344,063</b>	<b>78,143,644</b>
<b>Equity</b>			
Contributed equity	13	127,619,966	123,028,466
Reserves	14	5,560,206	7,044,006
Accumulated losses		(53,709,777)	(52,802,496)
Equity attributable to owners of Sunstone Metals Limited		79,470,395	77,269,976
Non-controlling interests	15	873,668	873,668
<b>Total equity</b>		<b>80,344,063</b>	<b>78,143,644</b>

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

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## Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2023

2023	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>	<b>123,028,466</b>	<b>4,275,443</b>	<b>2,768,563</b>	<b>(52,802,496)</b>	<b>77,269,976</b>	<b>873,668</b>	<b>78,143,644</b>
Profit/(loss) for the year	-	-	-	(907,281)	(907,281)	-	(907,281)
Other comprehensive Income	-	-	(1,648,435)	-	(1,648,435)	-	(1,648,435)
<b>Total comprehensive income/(loss) for the half-year</b>	<b>-</b>	<b>-</b>	<b>(1,648,435)</b>	<b>(907,281)</b>	<b>(2,555,716)</b>	<b>-</b>	<b>(2,555,716)</b>
Shares issued	4,869,000	-	-	-	4,869,000	-	4,869,000
Share issue costs	(277,500)	-	-	-	(277,500)	-	(277,500)
Share based payment transactions	-	164,635	-	-	164,635	-	164,635
<b>Total Equity at 31 December 2023</b>	<b>127,619,966</b>	<b>4,440,078</b>	<b>1,120,128</b>	<b>(53,709,777)</b>	<b>79,470,395</b>	<b>873,668</b>	<b>80,344,063</b>
<b>2022</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>	<b>109,827,200</b>	<b>5,438,254</b>	<b>1,152,640</b>	<b>(50,919,564)</b>	<b>65,498,530</b>	<b>870,784</b>	<b>66,369,314</b>
Profit/(loss) for the year	-	-	-	(1,166,090)	(1,166,090)	2,824	(1,163,266)
Other comprehensive Income	-	-	348,986	-	348,986	-	348,986
<b>Total comprehensive income/(loss) for the half-year</b>	<b>-</b>	<b>-</b>	<b>348,986</b>	<b>(1,166,090)</b>	<b>(817,104)</b>	<b>2,824</b>	<b>(814,280)</b>
Shares issued	1,854,478	(1,854,478)	-	-	-	-	-
Share issue costs	(11,182)	-	-	-	(11,182)	-	(11,182)
Share based payment transactions	-	582,195	-	-	582,195	-	582,195
<b>Total Equity at 31 December 2022</b>	<b>111,670,496</b>	<b>4,165,971</b>	<b>1,501,626</b>	<b>(52,085,654)</b>	<b>65,252,439</b>	<b>873,608</b>	<b>66,126,047</b>

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

## Consolidated Statement of Cash Flows

### For the half-year ended 31 December 2023

	Note	Half-year ended	
		2023 \$	2022 \$
<b>Cash flows from to/from operating activities</b>			
Payments to suppliers and employees		(872,921)	(1,159,780)
Interest paid		(3,801)	(5,111)
Interest received	4	85,953	158,781
Net cash outflow from operating activities		<b>(790,769)</b>	<b>(1,006,110)</b>
<b>Cash flows to/from investing activities</b>			
Payments for plant and equipment		(538,887)	-
Exploration and evaluation expenditure		(8,998,915)	(13,867,700)
Proceeds from sale of shares		-	993,882
Net cash used in investing activities		<b>(9,537,802)</b>	<b>(12,873,818)</b>
<b>Cash flows to/from financing activities</b>			
Proceeds from issue of securities		4,869,000	-
Costs of share issues		(277,500)	(11,182)
Principal paid on lease liabilities		(26,000)	(25,000)
Net cash from/(used in) financing activities		<b>4,565,500</b>	<b>(36,182)</b>
Net increase/(decrease) in cash		<b>(5,763,071)</b>	<b>(13,916,110)</b>
Effect of exchange rate fluctuations on cash held		<b>(6,406)</b>	<b>(39,413)</b>
Cash and cash equivalents at the beginning of the financial period		<b>10,306,546</b>	<b>23,997,222</b>
<b>Cash at the end of the financial period</b>		<b>4,537,069</b>	<b>10,041,699</b>

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

## Notes to the Financial Statements For the half-year ended 31 December 2023

### Note 1 Basis of preparation and changes in accounting policies

#### a) Basis of preparation

This general purpose condensed financial report for the half-year reporting period ended 31 December 2023 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include all of the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by Sunstone Metals Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules. The annual report and any public announcements issued can be located on the company's website [www.sunstonemetals.com.au](http://www.sunstonemetals.com.au).

The same accounting policies and methods of computation have been followed in these half-year financial statements as compared with the most recent annual financial statements.

#### b) Going Concern

The Group incurred a net loss of \$907,281 and had \$790,769 of cash outflows from operating activities for the half year ended 31 December 2023. As at 31 December 2023 the Group has net cash reserves of \$4,537,069 and a net current asset surplus of \$4,093,299.

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

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

While the Group has a strong cash position at 31 December 2023, further exploration and drilling programs are planned on both the Bramaderos and El Palmar projects throughout 2024, subject to funding. These conditions give rise to a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern.

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

- The cash balance of the Group as at 31 December 2023 is \$4,537,069;
- 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.

#### c) Fair Values

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.

#### d) Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current year.

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## Notes to the Financial Statements

### For the half-year ended 31 December 2023

#### Note 2 Segment reporting

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

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 financial report.

	31-Dec-23 \$	30-Jun-23 \$
<b>Profit/(loss)</b>		
Corporate	(907,282)	(1,900,382)
Bramaderos	-	20,334
El Palmar	-	-
	<b>(907,282)</b>	<b>(1,880,048)</b>
<b>Current assets</b>		
Corporate	4,000,082	8,964,791
Bramaderos	599,637	965,650
El Palmar	442,650	745,013
	<b>5,042,369</b>	<b>10,675,454</b>
<b>Non-current assets</b>		
Corporate	468,516	126,805
Bramaderos	51,799,965	47,090,201
El Palmar	24,378,106	22,158,403
	<b>76,646,587</b>	<b>69,375,409</b>
<b>Current liabilities</b>		
Corporate	626,393	519,430
Bramaderos	214,487	770,334
El Palmar	108,190	363,311
	<b>949,070</b>	<b>1,653,249</b>
<b>Non-current liabilities</b>		
Corporate	266,534	187,383
Bramaderos	79,108	47,869
El Palmar	50,181	18,718
	<b>395,823</b>	<b>253,970</b>

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## Notes to the Financial Statements

### For the half-year ended 31 December 2023

#### Note 3 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 financial assets at fair value through profit or loss fall under level 1 of the fair value hierarchy referred to in AASB 13 Fair Value measurement i.e. their fair value has been determined using quoted prices in an active market. Refer to note 7 for further detail regarding the key estimates applied to determine the fair value of these financial assets.

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

#### Note 4 Other Income

	Half-year ended	
	31-Dec-23	31-Dec-22
	\$	\$
Interest income	85,953	158,781

#### Note 5 Expenses

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

	Half-year ended	
	31-Dec-23	31-Dec-22
	\$	\$
<b>Employee benefits expense*</b>		
Salaries & wages	242,887	905,247
Directors' fees	86,509	77,500
Defined contribution superannuation expense	13,264	26,363
Share based payments	67,943	318,698
Movement in leave provisions	(10,666)	(8,494)
Other	22,511	20,134
	<b>422,448</b>	<b>1,339,448</b>
<b>Impairment Expense</b>		
Exploration concessions	11,500	-

\* Excludes employee costs capitalised to exploration and evaluation expenditure

Expenditure previously capitalised in prior periods relating to Finnish concessions that lapsed during the period have been expensed.

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## Notes to the Financial Statements

### For the half-year ended 31 December 2023

#### Note 6 Trade and other receivables

	31-Dec-23 \$	30-Jun-23 \$
Other debtors	40,095	65,622
Deposits	284,909	15,225
Prepayments	12,639	8,685
	<b>337,643</b>	<b>89,532</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.

All other receivables excluding deposits are non-interest bearing and balances are current.

#### Note 7 Financial assets at fair value through profit or loss

	31-Dec-23 \$	30-Jun-23 \$
<b>Current</b>		
Shares in NewPeak Metals Ltd	13,070	81,690
Shares in United Lithium Corp	167,226	197,686
	<b>180,296</b>	<b>279,376</b>

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

	31-Dec-23 \$	30-Jun-23 \$
Opening fair value	279,376	1,705,298
Shares sold during the financial year	-	(1,913,889)
Fair value increments / (decrements)	(99,080)	487,967
Closing fair value	<b>180,296</b>	<b>279,376</b>

Shares held in listed companies are recognised at the market value on the reporting date of \$180,296 (30 June 2023: \$279,376) under level 1 of the fair value hierarchy referred to in AASB 13 Fair Value measurement.

The value of Sunstone's 290,601 shares (following a 1:3 share consolidation from 871,803 shares) held in United Lithium Corp (CSE:ULTH) decreased due to the share price closing at CAD 0.52 (30 June 2023: CAD 0.20 pre-consolidation) resulting in a fair value decrement of \$30,459.

The value of Sunstone's 816,904 shares (following a 1:100 share consolidation from 81,690,362 shares) held in NewPeak Metals Ltd (ASX:NPM) decreased due to the share price closing at \$0.016 (30 June 2023: \$0.001 pre-consolidation) resulting in a fair value decrement of \$68,620.

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

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## Notes to the Financial Statements

### For the half-year ended 31 December 2023

#### Note 8 Property, plant and equipment

	Office equipment \$	Computer equipment \$	Exploration equipment \$	Right of use assets \$	Mine infrastructure \$	Total \$
<b>Half-year Ended 31 December 2023</b>						
Carrying amount at beginning of financial year	23,377	173,622	480,947	26,679	386,291	1,090,916
Additions	-	1,173	-	88,666	578,348	668,187
Disposals	-	(1,455)	(12,224)	-	-	(13,679)
Depreciation expensed	-	(7,185)	(13,060)	(17,787)	-	(38,032)
Depreciation capitalised as exploration	(1,767)	(52,978)	(49,316)	-	-	(104,061)
Effect of movement in foreign exchange	(510)	(3,285)	(9,691)	-	(8,436)	(21,922)
Carrying amount at end of financial year	21,100	109,892	396,656	97,558	956,203	1,581,409
<b>As at 31 December 2023</b>						
At Cost	53,618	325,381	692,101	262,401	956,203	2,289,704
Accumulated Depreciation	(32,518)	(215,489)	(295,445)	(164,843)	-	(708,295)
	21,100	109,892	396,656	97,558	956,203	1,581,409
<b>Year Ended 30 June 2023</b>						
Carrying amount at beginning of financial year	21,546	188,128	406,464	62,253	-	678,391
Additions	4,356	40,488	168,558	-	386,291	599,693
Disposals	-	-	-	-	-	-
Depreciation expensed	-	(14,371)	(26,119)	(35,574)	-	(76,064)
Depreciation capitalised as exploration	(3,335)	(46,280)	(80,852)	-	-	(130,467)
Effect of movement in foreign exchange	810	5,657	12,896	-	-	19,363
Carrying amount at end of financial year	23,377	173,622	480,947	26,679	386,291	1,090,916
<b>As at 30 June 2023</b>						
At Cost	54,280	330,711	717,134	173,735	386,291	1,662,151
Accumulated Depreciation	(30,903)	(157,089)	(236,187)	(147,056)	-	(571,235)
	23,377	173,622	480,947	26,679	386,291	1,090,916

Right of use assets relates to office lease.

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## Notes to the Financial Statements For the half-year ended 31 December 2023

### Note 9 Exploration and evaluation assets

	31-Dec-23 \$	30-Jun-23 \$
At Cost - less amounts written off	<b>75,065,178</b>	68,284,493
Balance at 1 July	<b>68,284,493</b>	42,304,313
Exploration and evaluation expenditure	<b>8,104,388</b>	24,763,456
Impairment recognised	<b>(11,500)</b>	-
Effect of movement in foreign exchange	<b>(1,312,203)</b>	1,216,724
Balance at 30 June	<b>75,065,178</b>	68,284,493

The recovery of the Group's interest in exploration assets is dependent upon:

- the continuance of the Company's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

### Note 10 Trade and other payables

	31-Dec-23 \$	30-Jun-23 \$
Trade payables	<b>434,451</b>	910,161
Sundry payables and accrued expenses	<b>25,818</b>	45,975
	<b>460,269</b>	956,136

### Note 11 Lease liabilities

	31-Dec-23 \$	30-Jun-23 \$
<b>Current</b>		
Office lease	<b>38,598</b>	32,581
<b>Non-current</b>		
Office lease	<b>57,382</b>	-

### Note 12 Provisions

	31-Dec-23 \$	30-Jun-23 \$
<b>Current</b>		
Employee leave liabilities	<b>450,203</b>	664,532
<b>Non-current</b>		
Employee leave liabilities	<b>338,441</b>	253,970

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## Notes to the Financial Statements

### For the half-year ended 31 December 2023

#### Note 13 Equity securities issued

	Number of shares	31-Dec-23
		\$
Ordinary shares - fully paid	3,487,734,879	127,619,966

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

	Number of shares	Issue price	
		\$	\$
<b>Balance as at 1 July 2022</b>	<b>2,574,446,418</b>	<b>109,827,200</b>	
Jul-22 Vesting of Employee Performance Rights	22,000,001	0.032	695,541
Nov-22 Vesting of Employee Performance Rights	20,000,000	0.048	965,781
Nov-22 Vesting of Employee Performance Rights	3,999,999	0.048	193,156
May-23 Share placement	461,538,461	0.026	12,000,000
Share issue costs			(653,212)
<b>Balance as at 30 June 2023</b>	<b>3,081,984,879</b>	<b>123,028,466</b>	
		\$	\$
<b>Balance as at 1 July 2023</b>	<b>3,081,984,879</b>	<b>123,028,466</b>	
Dec-23 Share placement	405,750,000	0.012	4,869,000
Share issue costs			(277,500)
<b>Balance as at 31 December 2023</b>	<b>3,487,734,879</b>	<b>127,619,966</b>	

#### Performance Rights

During the half-year, a total of 30,000,000 performance rights have been issued to employees, with 6,000,000 of these being issued to the Managing Director following approval at the Company's AGM on 17 October 2023. The performance rights expire upon the earlier of cessation of employment or three years from issue and are split into three separate tranches, Tranche 1 – 10,000,000 rights vesting upon the closing price of the Company's share price being \$0.067 or more for 10 trading days out of any 20 consecutive trading days and minimum 12 months from issue date until vesting; Tranche 2 - 10,000,000 rights vesting dependent on the Company's Total Shareholder Return performance against the ASX Small Resources Index; Tranche 3 - 10,000,000 rights vesting upon the closing price of the Company's share price being \$0.085 or more for 10 trading days out of any 20 consecutive trading days and minimum 12 months from issue date until vesting.

12,000,000 Unquoted Options were issued to two Non-Executive Directors following shareholder approval at AGM on 17 October 2023. The Options are exercisable at \$0.042 per option and have a twelve month vesting period and an expiry three years from issue.

## Notes to the Financial Statements

### For the half-year ended 31 December 2023

#### Note 14 Reserves

	31-Dec-23 \$	30-Jun-23 \$
Share based payments reserve	4,440,079	4,275,443
Foreign currency translation reserve	1,120,128	2,768,563
Total reserves	<b>5,560,207</b>	<b>7,044,006</b>
Movements in reserves were as follows:		
<b>Share based payments reserve</b>		
Opening balance	4,275,443	5,438,254
Share based payments - employees	164,635	691,667
Shares Issued on vesting	-	(1,854,478)
Closing balance	<b>4,440,078</b>	<b>4,275,443</b>
<b>Foreign currency translation reserve</b>		
Opening balance	2,768,563	1,152,640
Foreign exchange gains/(losses) on translation	(1,648,435)	1,615,923
Closing balance	<b>1,120,128</b>	<b>2,768,563</b>

#### Note 15 Non-controlling interests

	31-Dec-23 \$	30-Jun-23 \$
Interest In:		
Share capital	935,783	935,783
Foreign currency translation reserve	-	-
Recognition on acquisition/disposal	4,420	4,420
Retained earnings	(66,534)	(66,534)
	<b>873,668</b>	<b>873,668</b>

#### Note 16 Dividends

There were no dividends declared or paid during the half-year (2022: Nil).

#### Note 17 Commitments and contingencies

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

There were no other commitments or contingencies as at 31 December 2023 (2022: Nil).

#### Note 18 Events occurring after reporting period

At a General Meeting held on 6 February 2024 shareholder approval was received for director participation in the Placement undertaken in December 2023, as well as the issue of 6,000,000 Options to Mr Patrick Duffy. 12,916,667 shares were issued at \$0.012 per share on 13 February 2024 for consideration of \$155,000. The Options were also issued on 13 February and are exercisable at \$0.042 per option and have a twelve month vesting period and an expiry three years from issue.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's position, the results of those operations, or the Group's state of affairs in future financial periods, except as already disclosed in the half-year financial statements.

## Directors' Declaration

In the opinion of the Directors:

- (a) the financial statements and notes of the Consolidated Entity as set out on pages 16 to 27 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 31 December 2023 and of its performance for the half year ended on that date; and
  - (ii) complying with Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001;
- (b) subject to the achievement of matters described in note 1(b), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors.



Graham Ascough  
Chairman

Brisbane, Queensland  
14 March 2024

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## Independent Auditor's Review Report to the Members of Sunstone Metals Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Sunstone Metals Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2023, 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 half-year ended on that date, including material accounting policy information and other explanatory information, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 annual 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* has been given to the directors of the Company.

#### Material Uncertainty Regarding Going Concern

We draw attention to Note 1 (b) in the financial report, which indicates that the Group incurred a net loss of \$907,281 during the half-year ended 31 December 2023 and, as of that date, the current assets exceeded

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its current liabilities by \$4,093,299. As stated in Note 1 (b), these events or conditions, along with other matters as set forth in Note 1 (b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Responsibility of the Directors for the Financial Report**

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

### **Auditor's Responsibility for the Review of the Financial Report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in black ink that reads 'HLB Mann Judd'.

**HLB Mann Judd  
Chartered Accountants**

Brisbane, Queensland  
14 March 2024

A handwritten signature in black ink that reads 'A B Narayanan' with a horizontal line underneath.

**A B Narayanan  
Partner**