

## Sunstone Metals

### Putting the copper-gold building blocks in place

Sunstone Metals (ASX:STM) is an ASX-listed mineral exploration play focussed on its Bramaderos gold-copper and El Palmar copper-gold projects located in Ecuador. Positive results from continuing exploration drilling across both projects are unlocking the high-quality potential of the assets through supportive assay results and expansion of mineralised zones...in some ways, these projects are strongly open-ended with overlapping targets. The projects should be considered as still early-stage with the company planning to undertake further drilling activity through the second half of the year across a number of Bramaderos prospects, totalling >8,000m. Significantly, the company is targeting an initial Mineral Resource Estimate (MRE) over the Brama-Alba area (Bramaderos Project) and add new discoveries by end-2022. Sunstone is working its asset base, which is a critical point of differentiation in our view...potential needs to be defined by holes in the ground. The post-COVID global outlook is uncertain with inflation-driven risks to the demand outlook. This is also reflected in the recent volatility of copper and gold prices. However, market data continues to support both metals on a fundamental basis, particularly with the transition to renewables and expected continuing global supply constraints. An initial MRE and further exploration success are important re-rating points over the next 12 months, we suggest.

### Heading to a resource declaration at Alba-Brama

The Bramaderos gold-copper project is located in southern Ecuador and is considered to be highly prospective for the discovery of porphyry and epithermal gold-copper deposits. Historical exploration results have identified at least four north-northeast aligned, partially overlapping centres of porphyry gold-copper mineralisation. There will be four drill rigs operating across Bramaderos primarily focussed on the Alba-Brama prospect with early-stage exploration continuing across the tenement. Drilling at Bramaderos will continue through 2022 with at least five further holes (2,000m) at Brama and a further six+ holes at Alba (2,400m). Delivering an initial MRE is an important, indicative first step demonstrating the potential of the play, particularly should concurrent works deliver new, adjacent discoveries.

### A high-quality option emerging at El Palmar

El Palmar lies within a highly prospective regional porphyry trend highly prospective for giant copper-gold-molybdenum systems. STM is working its way through a staged acquisition agreement with Golden Exploration which commenced in early 2021. Mineralisation has been recorded from the surface and wide intervals of gold-copper porphyries have been identified at >0.4g/t gold and 0.15% copper over 400m including intervals of 100-165m at >0.7g/t gold and 0.2% copper. El Palmar is considered to be a material gold-copper discovery, with further drilling to expand the mineralised zone, particularly at depth. The company is also aiming to test deeper geophysical targets; and evaluate satellite porphyry targets and epithermal prospects.

### Inflation headwinds mean uncertainty but fundamentals still strong

Rising interest rates and inflation numbers point to global growth uncertainty driving the short-term sentiment, however, industry fundamentals continue to look positive in a post-inflationary phase supported by the continued roll-out and acceleration of renewable energy projects and technology demand.

#### Share Details

ASX code	STM
Share price	\$0.043
Market capitalisation	\$110.5M
Number of shares	2,570.0M
Total options on issue	20.0M
Net cash at 30-Jun-2022	\$24.0M

#### Share Price Performance (12 months)



#### Upside Case

- Drilling results deliver material upside to grades and mineralisation extent
- Initial resource estimates exceed market expectations
- Upside to spot commodity prices

#### Downside Case

- Inflation and rising interest rates materially impact global demand outlook and put downward pressure on prices
- Delays/pushback to drilling and assay results and resultant announcement of MRE
- Future financing uncertainties making the timing of next phase works uncertain

#### Catalysts

- First MRE
- Drilling delivering new, potentially material discoveries

#### Comparative Companies (Australia & NZ)

ZNC, TTM, CAE

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# FINANCIAL SERVICES GUIDE

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