



SUNSHINE GOLD LIMITED

A.B.N. 12 063 388 821

ANNUAL FINANCIAL REPORT

30 JUNE 2022

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SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

CORPORATE DIRECTORY

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SHARE REGISTRY		
Automic Registry Services Level 5 191 St Georges Terrace Perth, Western Australia, 6000		
Investor Enquiries: 1300 288 664		
AUDITOR		
HLB Mann Judd (WA Partnership) Level 4 130 Stirling Street Perth, Western Australia, 6000		
Telephone: (+61 8) 9227 7500		
SECURITIES EXCHANGE LISTING		
ASX Limited (Australian Securities Exchange) ASX Codes: SHN		

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

The directors present their report together with the financial statements of the Group consisting of Sunshine Gold Limited ("**Sunshine Gold**" or "**the Company**") and its controlled entities for the financial year ended 30 June 2022 ("**Balance Date**"), the notes to the financial statements and the auditor's report thereon.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Alec Pismiris
Damien Keys
Paul Chapman
Leslie Davis
Antonio Torresan

PARTICULARS OF DIRECTORS

Alec Pismiris B.Comm, MAICD, FGIA, FCIS
Chairman

Mr Pismiris has over 30 years of experience in the securities, finance and mining industries. Since 1990, Mr Pismiris has served as a director and/or company secretary for various ASX listed companies as well as a number of unlisted public and private companies. Mr Pismiris completed a Bachelor of Commerce degree at the University of Western Australia, is a member of the Australian Institute of Company Directors and a fellow of The Governance Institute of Australia. Mr Pismiris has participated numerous times in the processes by which boards have assessed the acquisition and financing of a diverse range of assets and has participated in and become familiar with the range of evaluation criteria used and the due diligence processes commonly adopted in the commercial assessment of corporate opportunities.

Other current directorships: Agrimin, The Market Herald and Pacton Gold.

Former directorships (last 3 years): Lanthanein Resources, Javelin Minerals.

Damien Keys PhD (Struct. Geo), MAIG
Managing Director

Dr Keys is a geologist with over 20 years experience in mining and exploration. Dr Keys has led teams to exploration success with Gold Fields Australia, Silver Lake Resources, Black Cat Syndicate and Spectrum Metals. Dr Keys has completed a PhD in Structural Geology, a Bachelor of Science (Hons) and is a member of the AUSIMM and the Australian Institute of Geoscientists.

Other current directorships: None

Former directorships (last 3 years): None

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

PARTICULARS OF DIRECTORS (CONTINUED)

Paul Chapman B.Comm, Grad. Dip. Tax, CA, MAICD, MAusIMM
Non-Executive Director

Mr Chapman is a company director with over 30 years in the resource sector. Mr Chapman has held senior management roles across a range of commodity businesses and public companies in Australia and the USA. Mr Chapman was a founding director and shareholder of Reliance Mining, Encounter Resources, Rex Minerals, Silver Lake Resources, Black Cat Syndicate and Dreadnought Resources.

Other current ASX directorships: Black Cat Syndicate, Dreadnought Resources, Encounter Resources, Meeka Metals

Former directorships (last 3 years): Avanco Resources

Leslie Davis B.Sc. MAusIMM
Non-Executive Director

Mr Davis has over 40 years mining industry experience and was the founding Managing Director of Silver Lake Resources and a current director of Black Cat Syndicate. Mr Davis has completed a Masters of Science in mineral economics.

Other current ASX directorships: Black Cat Syndicate

Former directorships (last 3 years): Silver Lake Resources, Spectrum Metals

Antonio Torresan
Non-Executive Director

Mr Torresan is a businessman with significant experience in capital markets. Mr Torresan has been actively involved in arranging capital raisings for ASX listed companies as well as unlisted public companies, providing investor relation services and assisting boards with development of strategic plans. Mr Torresan has also played a significant role in negotiating mergers and acquisitions, especially in the mining exploration sector where he has been pivotal in the recapitalisation and growth of ASX listed companies. Mr Torresan has held numerous executive positions where his responsibilities have included strategy, operational management and business development.

Other current directorships: None

Former directorships (last 3 years): None

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

COMPANY SECRETARY

Alec Pismiris, B.Comm, MAICD, FGIA, FCIS

Mr Pismiris has over 30 years' experience in the securities, finance and mining industries and has held a number of company secretary positions secretary for various ASX listed companies as well as a number of unlisted public and private companies over the years.

DIRECTORS' MEETINGS

The following table sets out the number of meetings of the Company's directors, including directors' circular resolutions, held during the year ended 30 June 2022 by each director:

	Number Eligible to Attend/Approve	Number Attended/Approved
Alec Pismiris	18	18
Damien Keys	18	18
Paul Chapman	18	18
Leslie Davis	18	17
Antonio Torresan	18	18

PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year comprised of exploration on the Triumph, Hodgkinson, Investigator and Ravenswood West Projects.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

The Company made a loss after tax of \$1,667,266 for the year ended 30 June 2022 (2021: \$1,064,797).

QUEENSLAND – OPERATIONS

TRIUMPH PROJECT – Au

Sunshine Gold released a 118,000 ounce JORC 2012 Mineral Resource Estimate (“Resource”) grading 2.03 g/t Au in March 2022. The initial Resource is a product of the successful drilling programs completed to date. Further drilling, to be completed in 2023, is expected to grow the Resource in both the Southern and Northern Corridors.

Drilling operations were conducted in the Triumph Southern Corridor. A total of 9,322m (84 holes) were drilled during the year and included best intersections of:

- 16m @ 8.44 g/t Au from 38m (22SHRC018)
- 4m @ 11.71 g/t Au from 16m (21SCRC004)
- 10m @ 4.54 g/t Au from 20m (22SHRC029)
- 2m @ 16.18 g/t Au from 98m (22NCRC022)

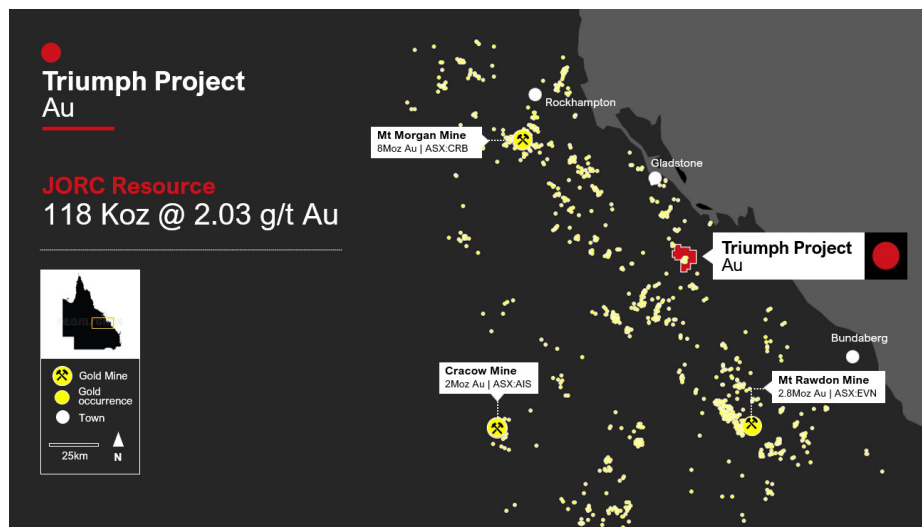


Fig1: Triumph Project Location.

The Resource comprises three zones totalling ~1.25km of strike within the >5km long Southern Corridor and one zone in the Northern Corridor. Over 90% of the Resource ounces are within 100m of surface. Rock chip sampling and broad spaced drilling have defined mineralisation beyond the Resource limits along the remaining 3.75km of the Southern Corridor. This presents an opportunity for future Resource growth.

The Resource is presently classified as Inferred as diamond drill assays and metallurgical studies were not available at the time of the release of the Resource. It is anticipated that the incorporation of this data will result in a proportion of the Inferred Resource being reclassified to Indicated Resource.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

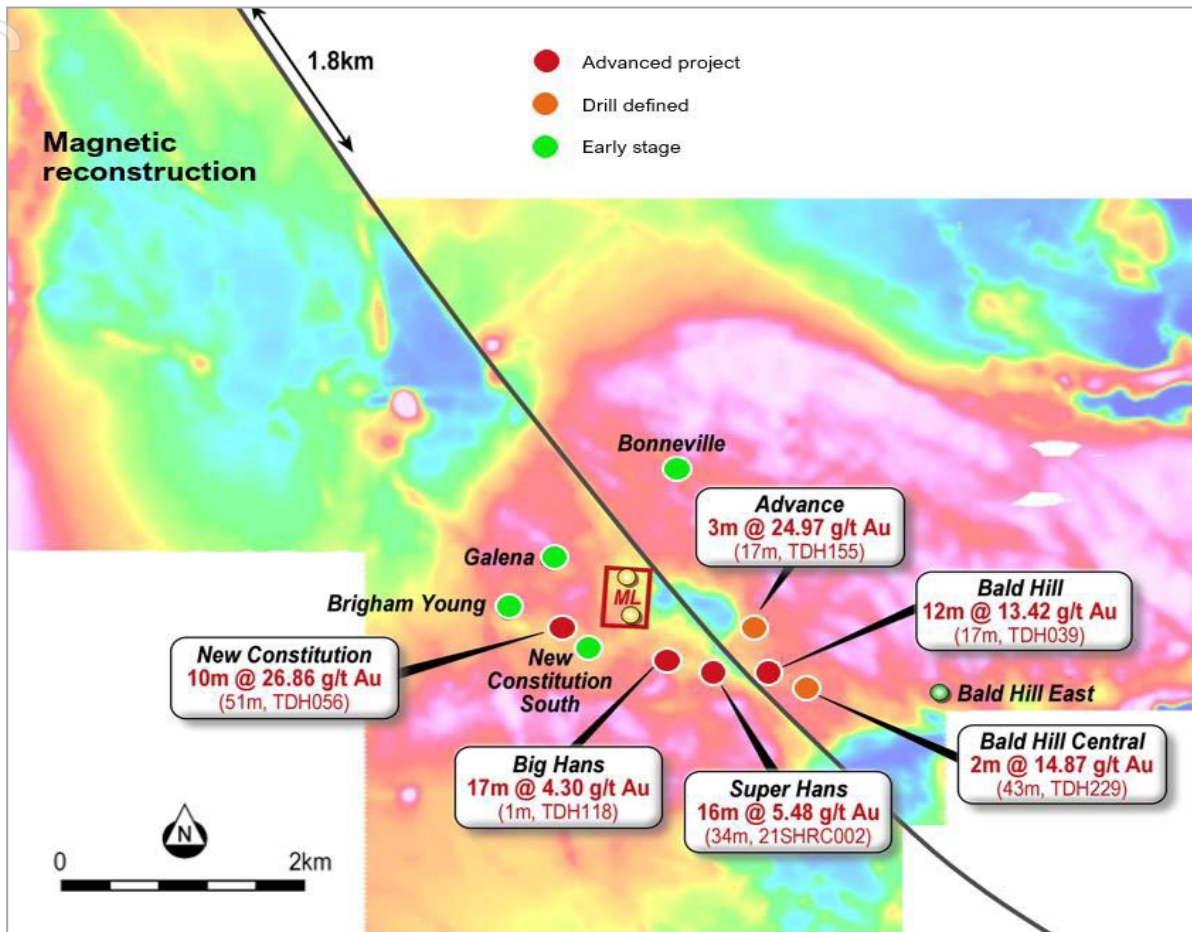


Fig 2: Reconstruction of the host Norton Tonalite, accounting for 1.8km of displacement across the Norton Fault (black line). The Southern Corridor targets span from Brigham Young (west) to Bald Hill East (east).

The initial Resource is expected to grow with future drilling and an updated Resource is expected in April 2023.

The focus for future drilling will be split between the Southern and Northern Corridors.

Within the Southern Corridor, mineralization is interpreted to continue through untested zones between delineated Resource areas. The mineralised fracture network has been modelled using a combination of drill intercept data, surface and downhole geochemical data and geophysical methods (induced polarization and electromagnetics).

New growth areas within the Southern Corridor include known mineralisation westward toward the margins of the host rock - the Norton Tonalite. Sampling also confirms that the contact between the tonalite and surrounding sediments contains anomalous gold.

In the Northern Corridor, a series of highly encouraging drill results coincide with significant historic workings. Historic production records indicated the advance workings produced over 4,000 oz Au at a grade of ~3.5 oz/t between 1895 and 1908. Previous drilling has intersected best results of:

- 3m @ 24.96 g/t Au from 17m (TDH155)
- 3m @ 9.68 g/t Au from 14m (TDH212)

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

RAVENSWOOD WEST PROJECT – Au-Cu-REEs-Mo-Ag

The Ravenswood West project was acquired in April 2021. The project has porphyry copper-gold-molybdenum, intrusion-related gold and rare-earth element potential. The project has been a hive of activity with drilling, soil sampling and geophysical surveys conducted in the last year.

Porphyry Copper-Gold-Molybdenum Exploration

Porphyry potential was first identified at Titov, an outcropping, malachite-stained granodiorite with an abundance of molybdenum-bearing quartz veins. Mineralisation has now been identified over 350m of strike and to depths of ~350m through RC and diamond drilling.

Eight RC holes (1,550m) and one diamond drill hole (501m) intersected thick zones of mineralisation.

Preliminary metallurgical test work was completed on a composite sample from RC drilling. The positive metallurgical results form a basis for reporting a recoverable copper equivalent value* for drill intersections at Titov and Keans. The best Titov drill results included:

- 66m @ 2.10% recov. CuEq* (25m, 21TVRC004)
- 121m @ 0.75% recov. CuEq* (0m, 21TVRC001)

Higher-grade mineralization, including 4m @ 1.31% CuEq* (from 69m, 21TVDD001) was intersected south of Titov. Titov South represents a follow up drill target for testing in late 2022.

Reconnaissance RC drilling (15 holes, 1,830m) at Keans intersected zone of high grade mineralisation. Best results included:

- 12m @ 1.21% recov. CuEq* (81m, 21KNRC004)
- 21m @ 0.82% recov. CuEq* (1m, 21KNRC003)

* recoverable copper equivalent accounts for metallurgical recovery, cost and other parameters. All assumptions are listed in ASX release 11th August 2022, Table 1, Data Aggregation Methods.

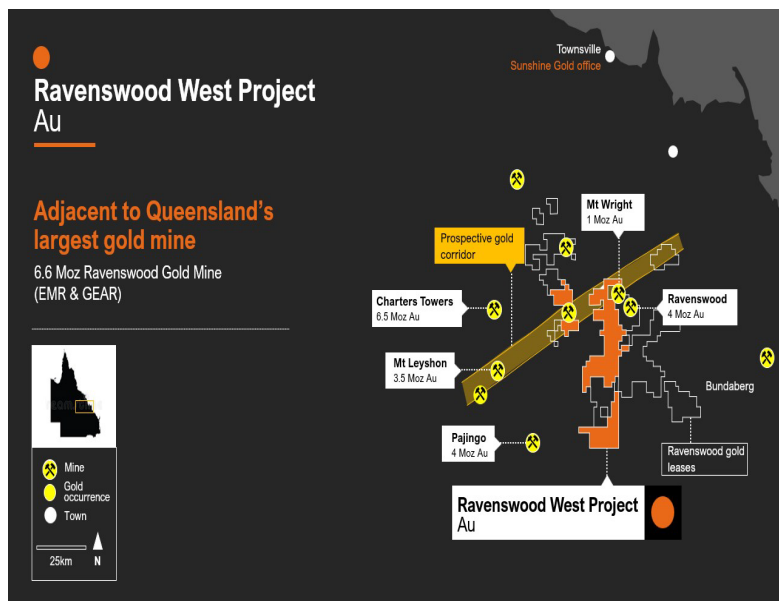


Fig 3: Ravenswood West Project location.

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

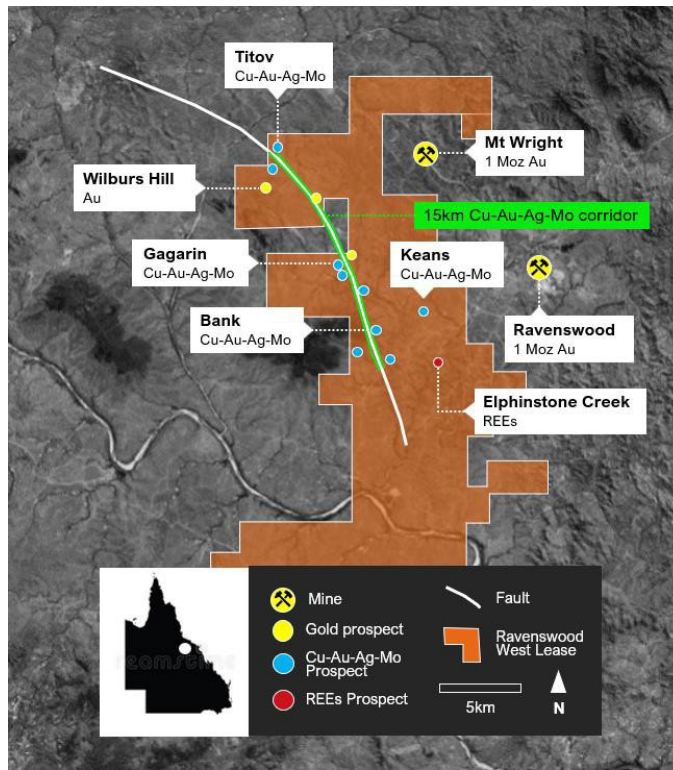


Fig 4: Porphyry exploration at the Ravenswood West Project is focused along a 15km long prospective structural corridor.

First pass mapping and sampling were completed at Gagarin and the Bank Cu-Au-Ag-Mo targets. Rock chip sampling from Gagarin produced impressive results from outcropping fault zones including:

- 10.96% Cu, 0.48 g/t Au, 4.61 g/t Ag, 1,048 ppm Mo (GG001)
- 12.99% Cu, 0.07 g/t Au, 6.29 g/t Ag, 182 ppm Mo (GG010)

An Induced Polarisation (“IP”) survey was commissioned over Gagarin in May 2022. Targets generated from the Induced Polarisation survey will be drill tested in late 2022.

Intrusion-Related Gold Exploration

RC drilling was completed at Dreghorn (34 holes, 3,558m), following up on a soil program that delineated a broad surface geochemical anomaly. The soil anomaly defined gold > 50 ppb Au over 9km of strike length. Three dominant fault orientations were identified from magnetic interpretation and soil geochemistry in the target area.

The reconnaissance drill program was designed to determine which fault orientations were most likely to host mineralisation.

Drilling intersected narrow veins, with best results including:

- 1m @ 8.06 g/t Au from 9m (21DRRC021)
- 1m @ 6.81 g/t Au from 7m (21DRRC029)
- 1m @ 5.85 g/t Au from 68m (21DRRC010)

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

A breccia pipe intrusion-related gold target was identified from mapping and historic soil sampling at Wilbur's Hill. The target is located on the northeast corner of the Boori Igneous Complex, a late Carboniferous to Early Permian suite of intrusives and volcanics.

Wilbur's Hill forms a topographic high and is comprised of rhyolitic volcanics which exhibit flow-banding, local brecciation and limonitic fracture fill.

The Wilbur's Hill target is analogous to the nearby 1 Moz Au Mt Wright Mine (9km east of Wilbur's Hill) and the 3.5Moz Au Mt Leyshon Mine. Both Mt Wright and Mt Leyshon are also hosted in late Carboniferous to Early Permian volcanic breccia pipes.

Sunshine Gold was awarded a \$92,000 Collaborative Exploration Incentive ("CEI") grant from the Queensland Department of Resources to contribute toward a deep-sensing Induced Polarisation and Magnetotelluric geophysical survey at Wilbur's Hill. The survey was completed in September 2022 and defined three exciting areas for follow up:

- three diamond holes will target the main anomaly at depths of ~150–200m commencing in early October 2022;
- A second but discrete anomaly is seen along a north-east striking fault zone ("Northern Fault Zone"). Two RC drill holes will target the Northern Fault Zone in early October 2022; and

In addition, a third anomalous area was identified ~1km north of Wilbur's Hill. Soil sampling in this area shows continuation of anomalous pathfinder elements (including Ag, As, Bi, Cu, Pb, Sb, Te, Zn) for >1.5km..

Rare-Earth Exploration

The Elphinstone Creek and Bank Breccia targets are hosted in the ~27km² Barrabas Adamellite, a quartz monzonite, with a broad, moderate magnetic response and a strong potassium and thorium radiometric signature.

Soil sampling has been completed over the entire prospective intrusion with 20% of the samples grading > 750 ppm TREO and 46 samples grading > 1,000 ppm TREO.

Sunshine Gold was the recipient of a further CEI grant (up to \$34,050) to fund geochemical analytical costs.

Samples were analysed by specialists from Australian National University and confirmed the Barrabas Adamellite as the likely source of the rare earth mineralisation.

Areas of secondary enrichment will be targeted in first pass AC drilling in late 2022. The drilling will assess ionic clay potential and/or enrichment in or around pegmatitic phases of the Barrabas Adamellite.

INVESTIGATOR – Cu (100%)

First field mapping was undertaken at the Investigator Copper Project in February 2022. The project is geologically analogous to the Capricorn Copper Mine (61Mt @ 1.8% Cu) located 12km north.

Field mapping was undertaken in February 2022. The mapping focused on refining the location and thickness of the east-west oriented Investigator Fault. Further mapping is planned for 2023 to extend the refined mapping over the eastern extents of the Investigator Fault. A particular focus will be placed on characterising fault fill and breccia type.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

Electrical geophysical surveys and detailed magnetics are planned for mid-2023 and will be integrated with mapping data to refine targets for drill testing.

HODGKINSON – Au W (100%)

A detailed review and integration of data from the magnetic survey completed (December 2020) and soil sampling completed (May 2021) has generated targets for drill testing in the northern area at Campbell Creek.

Campbell Creek is at the head of the Palmer River watershed. Palmer River has produced ~1.3Moz Au from largely alluvial sources since that late 1800's.

An integration of recently collected datasets (mapping, soils and magnetics) has determined the intersections of sandstone-dominant lithological packages and northwest or northeast oriented faulting as a locus for gold enrichment.

Three gold in soil anomalies were identified in May 2021 with the main anomaly field mapped in August 2021. The study showed quartz veining through Hodgkinson Formation sediments. The anomalies are flagged for future follow up work.

CORPORATE

CAPITAL RAISING

In September 2021, the Company completed a share placement to institutional and sophisticated investors at \$0.045 for a total of \$5 million (before costs). Directors contributed \$315,000 to the Placement subject to shareholder approval, which was obtained on 18 November 2021. A further \$162,000 was raised in November 2021 through the exercise of options.

INVESTMENT IN COCKATOO IRON NL

Sunshine Gold holds 6,250,000 fully paid ordinary shares in Cockatoo Iron NL ("Cockatoo Iron") as a consequence of the sale of its interests in the Cockatoo Island Project and participation in a subsequent entitlements issue. Cockatoo Iron has a 43.24% interest in Pearl Gull Limited (ASX: PLG).

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

MINERAL RESOURCES AND ORE RESERVES STATEMENT

Sunshine Gold's initial Resource at 30 June 2022 was 1.8 million tonnes at 2.03 g/t Au for 118 koz of contained gold. This is the first Resource quoted by Sunshine Gold.

There were no Ore Reserves at 30 June 2022.

Triumph Gold Project	Category	Tonnes	Grade	Contained Au
		,000 tonne	(g/t)	,000 ounces
Southern Corridor	Inferred	1,497	2.1	100
• <i>Big Hans</i>	<i>Inferred</i>	493	2.3	37
• <i>New Constitution</i>	<i>Inferred</i>	690	2.0	44
• <i>Super Hans</i>	<i>Inferred</i>	314	1.9	19
Northern Corridor	Inferred	311	1.8	18
Total	Inferred	1,808	2.0	118

Table 1: Resources at as 30 June 2022.

Notes on Resource:

1. The preceding statement of Resources conforms to the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 Edition'.
2. All tonnages are reported as dry metric tonnes.
3. Data is rounded to thousands of tonnes and thousands of ounces gold. Discrepancies in totals may occur due to rounding.
4. Resources have been reported with varying cut-offs based on several factors discussed in the corresponding Table 1 which can be found with the original ASX announcement, 31st March 2022 "Robust Maiden Resource at Triumph Gold Project"

QUALITY CONTROL

Sunshine Gold ensures that the Resource estimate quoted is subject to internal controls activated at a site and corporate level. All aspects of the Resource process follow a high level of industry standard practices. Contract RC and diamond drilling was overseen by experienced Sunshine Gold employees, with completed holes subject to downhole gyroscopic survey and collar coordinates surveyed with RTK GPS. Geological logging and sampling were completed by Sunshine Gold geologists. Sunshine Gold employs field quality control (QC) procedures, including addition of standards, blanks and duplicates ahead of assaying which was undertaken using industry standard fire assay at Intertek and ALS laboratories in Townsville. All drilling information is continually validated and managed by a database consultant. Geological models and wireframes were built using careful geological documentation and interpretations, all of which were validated by peer review. Resource estimation was undertaken by consultant Measured Group. Estimation techniques are industry standard and include block modelling using Ordinary Kriging. Application of other parameters including cut off grades, top cuts and classification are all dependent on the style and nature of mineralisation being assessed. All Resources are reported under JORC 2012. No Ore Reserve estimation has been completed or announced to date at Triumph.

NO MATERIAL CHANGES

Sunshine Gold confirms that it is not aware of any new information or data that would materially affect the information included in the quarterly activities report dated 29 July 2022 and market announcements dated 1 August 2022, 11 August 2022 and 19 September 2022, and that all material assumptions and technical parameters in the market announcements continue to apply and have not materially changed.

COMPETENT PERSON STATEMENT

The information in this report that relates to Resources is based on information compiled and reviewed by Mr Andrew Dawes, who is a Member of the Australasian Institute of Mining and Metallurgy and is a Principal Geologist employed by Measured Group Pty Ltd. Mr Andrew Dawes has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Mineral Resources. Mr Andrew Dawes consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

SCHEDULE OF TENEMENT INTEREST AS AT 30 JUNE 2022

Project	Tenement	Status	Beneficial Interest
HODGKINSON	EPM 18171	GRANTED	100%
HODGKINSON	EPM 19809	GRANTED	100%
HODGKINSON	EPM 25139	GRANTED	100%
HODGKINSON	EPM 27539	GRANTED	100%
HODGKINSON	EPM 27574	GRANTED	100%
HODGKINSON	EPM 27575	GRANTED	100%
INVESTIGATOR	EPM 27343	GRANTED	100%
INVESTIGATOR	EPM 27344	GRANTED	100%
INVESTIGATOR	EPM 28369	APPLICATION	100%
RAVENSWOOD	EPM 26041	GRANTED	100%
RAVENSWOOD	EPM 26152	GRANTED	100%
RAVENSWOOD	EPM 26303	GRANTED	100%
RAVENSWOOD	EPM 26304	GRANTED	100%
RAVENSWOOD	EPM 27824	GRANTED	100%
RAVENSWOOD	EPM 27825	GRANTED	100%
RAVENSWOOD	EPM 28237	APPLICATION	100%
RAVENSWOOD	EPM 28240	APPLICATION	100%
TRIUMPH	EPM 18486	GRANTED	100%
TRIUMPH	EPM 19343	GRANTED	100%

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than what has been disclosed in the review of operations section, there has been no change in the state of affairs during the financial year.

DIVIDENDS

No dividends were paid or recommended for the year ended 30 June 2022.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

EVENTS SUBSEQUENT TO REPORTING DATE

On 22 August 2022, the Company completed a capital raising of \$3.505 million (before costs) by the issue of 140,200,000 fully paid ordinary shares at \$0.025 per share to institutional and sophisticated investors. An additional amount of 9,800,000 fully paid ordinary shares at \$0.025 per share raising \$245,000 to be issued to directors is subject to shareholder approval which will be sought at the Company's Annual General Meeting.

No other matters or circumstances have arisen subsequent to the balance date which would significantly affect the operations of the Company, its operating results or its state of affair in the subsequent financial years.

COMPANY SECURITIES

The Company has the following securities on issue as at the date of the Directors' Report.

Security Description	Number of Securities
Fully paid shares	759,922,730

Unissued shares

As at the date of this report, there were the following unissued shares on issue:

Security Description	Number of Securities	
	<u>2022</u>	<u>2021</u>
Ordinary shares under options	68,300,000	72,000,000
Performance shares	8,500,000	17,000,000
Deferred shares subject to performance hurdles	50,000,000	100,000,000

Option holders do not have any right, by virtue of the options, to participate in any share issue of the Company or any related body corporate.

Shares issued as a result of the exercise of options

During the financial year there were 5,400,000 ordinary shares issued as a result of the exercise of options (2021: Nil).

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Given that the nature of the Group's activities is exploration focused, no further information can be provided as to likely developments as such developments will depend on exploration success at the Group's various projects .

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

ENVIRONMENTAL REGULATION

The Group has assessed whether there are any particular or significant environmental regulations which apply. It has determined that the risk of non-compliance is low and has not identified any compliance breaches during the year.

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

At the date of this report, the directors' (and their associates) interests in shares of Sunshine Gold were:

	Number of Ordinary Shares
Alec Pismiris	15,062,500
Damien Keys	40,500,000
Paul Chapman	40,455,000
Leslie Davis	37,840,000
Antonio Torresan	67,000,000

CORPORATE GOVERNANCE

In recognising the need for high standards of corporate behavior and accountability, the directors support and have substantially adhered to the best practice recommendations set by the ASX Corporate Governance Council. The Company's corporate governance statement can be viewed on the Company's website at www.shngold.com.au/investor-centre/corporate-governance/.

INDEMNIFICATION AND INSURANCE OF DIRECTORS

The Company has, during or since the financial year, in respect of any person who is or has been an officer of the Company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

Insurance of Officers

Since the end of the previous financial year, the Company has paid insurance premiums in respect of directors and officers liability and corporate reimbursement, for directors and officers of the Company. The insurance premiums relate to:

- any loss for which the directors and officers may not be legally indemnified by the Company arising out of any claim, by reason of any wrongful act committed by them in their capacity as a director or officer, first made against them jointly or severally during the period of insurance; and
- indemnifying the Company against any payment which it has made and was legally permitted to make arising out of any claim, by reason of any wrongful act, committed by any director or officer in their capacity as a director or officer, first made against the director or officer during the period of insurance.

The insurance policy outlined above does not allocate the premium paid to each individual officer of the Company and does not allow disclosure of the premium.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

USE OF FUNDS

The Company confirms that it has used its available cash and assets at the time of admission to the ASX consistent with the business objectives.

Total cash expenditure during the financial year ended 30 June 2022 was \$5,188,066. Exploration and evaluation cash expenditure was \$4,045,068. Approximately 49% of this expenditure was spent on exploration activities at the Triumph Project, 41% at the Ravenswood West Project and the remainder primarily at the Investigator Project.

Activities included mapping, rock and soil sampling, geophysics and pre-drilling preparations, and significant drilling.

Use of Funds	Prospectus Year 2 Budget	12 Months Actuals to 30 June 2022
Triumph	\$520,000	1,997,800
Investigator	\$514,000	276,248
Hodgkinson	\$273,570	111,154
Ravenswood West	-	1,659,866

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 62.

NON-AUDIT SERVICES

The Board of Directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2021. The directors are satisfied that the services disclosed below do not compromise the external auditors' independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

There were no fees paid or payable to HLB Mann Judd during the year ended 30 June 2022 (2021: \$25,000) for non-audit services.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors and executives of the Group.

Remuneration policy

The remuneration policy has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and potentially offering specific long-term incentives based on key performance areas affecting the Group's ability to attract and retain the best executives and directors to run and manage the Group.

The Board's policy for determining the nature and amount of remuneration for board members and senior executives of the Group is set out below.

The remuneration policy setting out the terms and conditions for the executive directors and other senior executives was developed by the Board.

Executive remuneration and other terms of employment are reviewed annually by the Board having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice.

As well as a base salary, remuneration packages may include superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Company's diverse activities.

Remuneration and other terms of employment for the directors have been formalised in service agreements as follows:

- A. The Company has entered into an executive service agreement with managing director, Mr Damien Keys. The terms of the service agreement are set out as follows:
 - Commencement date: 24 November 2020
 - Term: two years
 - Fixed remuneration: \$242,000 per annum (exclusive of superannuation)
 - Termination for cause: no notice period
 - Termination without cause: three month notice period

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration policy (continued)

- B. The Company has entered into agreements with non-executive directors. The terms of the agreements are set out as follows:
- Term: no fixed term
 - Fixed remuneration: \$36,000 per annum
 - Termination for cause: no notice period
 - Termination without cause: no notice period

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time and which currently stands at \$250,000 per annum.

The Board undertakes an annual review of its performance against goals set at the start of the year. The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract high calibre of executives and to remunerate them for performance that results in long-term growth in shareholder wealth.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed.

Performance-based remuneration

The Company currently has performance-based remuneration component built into director and executive remuneration packages.

The Company has established an Employee Securities Incentive Plan ("Plan") that provides greater flexibility by allowing for the issuance of Performance Securities upon a determination by the Board that an eligible employee may participate in the Plan. Performance Securities can include a Plan Share, Option, Performance Right or other Convertible Security.

The Company received 100% "yes" votes on its remuneration report for the 30 June 2021 financial year.

The table below summarises the earnings of the Group and other factors that are considered to affect shareholder wealth for the 5 years to 30 June 2022.

	2022	2021	2020	2019	2018
Loss after income tax attributable to shareholders (\$)	(1,667,266)	(1,064,797)	21,556	(1,913,882)	3,221,041
Share price at year end (\$)	0.0280	0.0550	0.0258	0.0258	0.0303
Basic earnings/(loss) per share (cents)	(0.30)	(0.29)	0.01	(0.53)	0.89

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Key management personnel compensation

Details of the nature and amount of emoluments paid for each director and executive are set out below:

	Primary Benefits Salary & Fees \$	Post Employment Super- annuation \$	Share Based Payments Shares/ Options \$	TOTAL \$	Performance Based %
Directors					
A Pismiris - Non-Executive Director					
2022	72,000¹	-	-	72,000	-
2021	62,000 ¹	-	112,000	174,000	64
D Keys – Managing Director					
2022	225,500	22,550	100,000	348,050	29
2021	128,333	12,192	-	140,525	-
P Chapman – Non-Executive Director					
2022	32,727	3,273	40,000	76,000	53
2021	19,756	1,877	-	21,633	-
L Davis – Non-Executive Director					
2022	32,727	3,273	30,000	66,000	45
2021	19,756	1,877	-	21,633	-
A Torresan – Non-Executive Director					
2022	36,000	-	-	36,000	-
2021	81,742 ²	-	112,000	193,742	58
C Chenu - Non-Executive Director					
2021	10,000 ³	-	28,000	38,000	74
Total Remuneration:					
2022	398,954	29,096	170,000	598,050	28
2021	321,587	15,946	252,000	589,533	43

Notes:

(1) Includes \$36,000 (FY2021: \$31,000) paid as fees for company secretarial services

(2) Stepped down as an executive director on 24 March 2021

(3) Resigned 24 November 2020

Other related party transactions of key management personnel are disclosed in Note 18.

Remuneration Options and Performance Rights

During the year ended 30 June 2022, no options were issued as part of director remuneration (30 June 2021: 18,000,000). Refer to Note 27 for details of Director options.

During the year ended 30 June 2022, no performance rights were issued as part of director remuneration (30 June 2021: 17,000,000). 8,500,000 tranche 1 performance rights vested and were exercised as a result of the achievement of the performance hurdle and have been valued at the share price on grant date. Refer to Note 15(d) for details of performance rights.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Shareholdings by Directors (and Associates)

2022	Balance 01/07/21 (No. of Shares)	Received Remuneration (No. of Shares)	Acquired (No. of Shares)	Options Exercised (No. of Shares)	Net Other Change (No. of Shares)	Balance 30/06/22 (No. of Shares)
A Pismiris	14,062,500	-	1,000,000	-	-	15,062,500
D Keys	22,000,000	-	-	1,000,000	17,500,000 ¹	40,500,000
P Chapman	22,555,000	-	-	3,400,000	14,500,000 ¹	40,455,000
L Davis	22,400,000	-	440,000	1,000,000	14,000,000 ¹	37,840,000
A Torresan	61,477,131	-	5,522,869	-	-	67,000,000
Total	142,494,631	-	6,962,869	5,400,000	46,000,000	200,857,500

Notes:

(1) Vesting of vendor deferred shares on acquisition of XXXX Gold Pty Ltd as a result of achievement of performance hurdle.

2021	Balance 01/07/20 (No. of Shares)	Received Remuneration (No. of Shares)	Capital Reconstruction (No. of Shares)	Net Other Change (No. of Shares)	Balance 30/06/21 (No. of Shares)
A Pismiris	18,000,000	-	(6,750,000)	2,812,500	14,062,500
D Keys ¹	-	-	-	22,000,000	22,000,000
P Chapman ¹	-	-	-	22,555,000	22,555,000
L Davis ¹	-	-	-	22,400,000	22,400,000
A Torresan	77,429,877	-	(29,036,204)	13,083,458	61,477,131
C Chenu ²	-	-	-	-	-
Total	95,429,877	-	(35,786,204)	82,850,958	142,494,631

Notes:

(1) Appointed 24 November 2021

(2) Resigned 24 November 2021

Options Holdings by Directors (and Associates)

2022	Balance 01/07/21 (No. Options)	Granted as Remuneration (No. Options)	No. of Options Acquired	No. of Options Exercised	Net Change Other (No. Options)	Balance 30/06/22 (No. Options)
A Pismiris	8,000,000	-	-	-	-	8,000,000
D Keys	10,000,000	-	-	(1,000,000)	-	9,000,000
P Chapman	10,000,000	-	-	(3,400,000)	-	6,600,000
L Davis	10,000,000	-	-	(1,000,000)	-	9,000,000
A Torresan	8,000,000	-	-	-	-	8,000,000
Total	46,000,000	-	-	(5,400,000)	-	40,600,000

Values of options over ordinary shares granted, exercised or lapsed for directors as part of compensation during the year ended 30 June 2022 are set out below:

2022	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Remuneration consisting of options for the year %
D Keys	-	13,000	-	4
P Chapman	-	44,200	-	58
L Davis	-	13,000	-	20

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Options Holdings by Directors (and Associates) (continued)

2021	Balance 01/07/20 (No. Options)	Granted as Remuneration (No. Options)	No. of Options Acquired	No. of Options Exercised	Net Change Other (No. Options)	Balance 30/06/21 (No. Options)
A Pismiris	-	8,000,000	-	-	-	8,000,000
D Keys ¹	-	-	-	-	10,000,000	10,000,000
P Chapman ¹	-	-	-	-	10,000,000	10,000,000
L Davis ¹	-	-	-	-	10,000,000	10,000,000
A Torresan	-	8,000,000	-	-	-	8,000,000
C Chenu ²	-	2,000,000	-	-	(2,000,000)	-
Total	-	18,000,000	-	-	28,000,000	46,000,000

Notes:

(1) Appointed 24 November 2020

(2) Resigned 24 November 2020

Performance Rights Holdings by Directors (and Associates)

2022	Balance 01/07/21 (No. Rights)	Granted as Remuneration (No. Rights)	No. of Right Acquired	No. of Rights Exercised	Net Change Other (No. Rights)	Balance 30/06/22 (No. Rights)
A Pismiris	-	-	-	-	-	-
D Keys	10,000,000	-	-	(5,000,000)	-	5,000,000
P Chapman	4,000,000	-	-	(2,000,000)	-	2,000,000
L Davis	3,000,000	-	-	(1,500,000)	-	1,500,000
A Torresan	-	-	-	-	-	-
Total	17,000,000	-	-	(8,500,000)	-	8,500,000

2021	Balance 01/07/20 (No. Rights)	Granted as Remuneration (No. Rights)	No. of Right Acquired	No. of Rights Exercised	Net Change Other (No. Rights)	Balance 30/06/21 (No. Rights)
A Pismiris	-	-	-	-	-	-
D Keys	-	10,000,000	-	-	-	10,000,000
P Chapman	-	4,000,000	-	-	-	4,000,000
L Davis	-	3,000,000	-	-	-	3,000,000
A Torresan	-	-	-	-	-	-
C Chenu	-	-	-	-	-	-
Total	-	17,000,000	-	-	-	17,000,000

End of remuneration report (audited).

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

Signed in accordance with a resolution of the board of directors.

Dated at Perth this 29th day of September, 2022



Alec Pismiris
Director

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SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

	Note	Consolidated	
		2022 \$	2021 \$
Other income	2	5,934	241,295
Corporate expenses	3	(942,775)	(998,092)
Impairment of investments		(161,400)	-
Rehabilitation expense		(357,000)	-
Share based payments	27	(212,025)	(308,000)
Loss before income tax		(1,667,266)	(1,064,797)
Income tax benefit	4	-	-
Loss for the year		(1,667,266)	(1,064,797)
Other comprehensive income/(loss)			
Item that may subsequently be reclassified to profit or loss:			
Currency translation differences		-	-
Other comprehensive income/(loss) for the year		-	-
Total comprehensive loss for the year		(1,667,266)	(1,064,797)
Basic loss per share (cents per share)	21	(0.30)	(0.29)
Diluted loss per share (cents per share)	21	(0.30)	(0.29)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	Consolidated	
		2022	2021
		\$	\$
Current Assets			
Cash and cash equivalents	5	1,853,737	2,192,165
Security deposits		178,615	144,000
Trade and other receivables	6	69,219	91,711
Prepayments		-	43,378
		<hr/>	<hr/>
Total Current Assets		2,101,571	2,471,254
Non-Current Assets			
Exploration and evaluation expenditure	7	9,943,600	4,513,541
Plant and equipment	8	340,557	39,011
Other financial assets	9	51,100	200,000
		<hr/>	<hr/>
Total Non-Current Assets		10,335,257	4,752,552
		<hr/>	<hr/>
Total Assets		12,436,828	7,223,806
Current Liabilities			
Trade and other payables	10	306,134	156,722
Interest-bearing liabilities	11	8,408	19,158
Lease liability	12	87,282	-
Employee leave liabilities	13	50,863	18,315
		<hr/>	<hr/>
Total Current Liabilities		452,687	194,195
Non-Current Liabilities			
Interest-bearing liabilities	11	-	8,301
Lease liability	12	172,595	-
Provisions	14	357,000	-
		<hr/>	<hr/>
Total Non-Current Liabilities		529,595	8,301
		<hr/>	<hr/>
Total Liabilities		982,282	202,496
		<hr/>	<hr/>
Net Assets		11,454,546	7,021,310
Equity			
Issued capital	15	22,497,970	17,609,493
Reserves	16	4,157,108	2,945,083
Accumulated losses		(15,200,532)	(13,533,266)
		<hr/>	<hr/>
Total Equity		11,454,546	7,021,310
		<hr/>	<hr/>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

	Issued Capital	Share-Based Payments Reserve	Accumulated Losses	Total Equity
<u>Consolidated</u>	\$	\$	\$	\$
Balance at 01/07/2020	14,096,796	1,937,083	(12,468,469)	3,565,410
Total comprehensive income for the year				
Loss for the year	-	-	(1,064,797)	(1,064,797)
Total comprehensive loss for the year	-	-	(1,064,797)	(1,064,797)
Transactions with owners recorded directly into equity				
Shares/options issued on acquisition of subsidiary	1,760,000	560,000	-	2,320,000
Share based payments	-	448,000	-	448,000
Issue of fully paid ordinary shares	2,026,845	-	-	2,026,845
Capital raising costs	(274,148)	-	-	(274,148)
Balance at 30/06/2021	17,609,493	2,945,083	(13,533,266)	7,021,310
Balance at 01/07/2021	17,609,493	2,945,083	(13,533,266)	7,021,310
Total comprehensive income for the year				
Loss for the year	-	-	(1,667,266)	(1,667,266)
Total comprehensive loss for the year	-	-	(1,667,266)	(1,667,266)
Transactions with owners recorded directly into equity				
Share based payments	-	1,212,025	-	1,212,025
Issue of fully paid ordinary shares	5,162,000	-	-	5,162,000
Capital raising costs	(273,523)	-	-	(273,523)
Balance at 30/06/2022	22,497,970	4,157,108	(15,200,532)	11,454,546

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022**

		Consolidated	
		2022	2021
	Note	\$	\$
Cash Flows from Operating Activities			
Payments to suppliers and employees		(1,036,978)	(1,142,907)
Interest received		5,935	21,387
Net Cash Used in Operating Activities	17(b)	(1,031,043)	(1,121,520)
Cash Flows from Investing Activities			
Payments for exploration expenditure		(4,045,068)	(1,567,719)
Cash brought to account on acquisition of XXXX Gold	29	-	53,155
Payments for acquisition of subsidiary	30	-	(400,000)
Proceeds from termination of revenue sharing agreement		-	225,000
Payments for acquisition of investments		(12,500)	-
Payments for acquisition of plant and equipment		(66,020)	-
Transfers from/(to) term deposits		(27,500)	1,200,000
Net Cash Used in Investing Activities		(4,151,088)	(489,564)
Cash Flows from Financing Activities			
Gross proceeds from share issues		5,162,000	2,026,845
Costs of share issues		(299,583)	(129,231)
Repayment of borrowings	17	(18,714)	(188,776)
Net Cash Provided by Financing Activities		4,843,703	1,708,838
Net increase/(decrease) in cash and cash equivalents held		(338,428)	97,754
Cash and cash equivalents at the beginning of the financial year		2,192,165	2,094,411
Cash and cash equivalents at the end of the financial year	17(a)	1,853,737	2,192,165

The above consolidated statement of cash flows
should be read in conjunction with the accompanying notes

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sunshine Gold Limited is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2022 comprise the Company and its subsidiaries (referred to as the Group).

The significant policies, which have been adopted in the preparation of this financial report, have been applied consistently unless otherwise stated and are as follows:

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001.

The financial report was authorised for issue by the Board on 29th September 2022.

The financial report has been prepared on an accruals basis and is based on historical costs except for certain assets which are carried at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS).

(c) New and Revised Accounting Standards and Interpretations adopted by the Group

The accounting policies have been consistently applied by the Group and are consistent with those in the June 2021 annual financial report except for the impact (if any) of new and revised standards and interpretations outlined below.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current year.

Standards and Interpretations applicable to 30 June 2022

In the year ended 30 June 2022, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, Sunshine Gold Limited and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 20.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and other comprehensive income.

(e) Income Tax

The charge for current income tax is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the rates that have been enacted or are substantively enacted by the balance date.

Deferred tax is accounted for using the statement of financial position liability method in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future profit will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

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.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(g) Share Based Payments

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and risk free interest rate for the term of the option.

The fair value of the options granted excluded the impact of any non-market vesting condition (for example, exploration related targets). Non-market vesting conditions are included in assumption about the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to these options is transferred to share capital.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(h) Investments and other financial assets

Financial assets are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL);
- equity instruments at fair value through other comprehensive income (FVOCI); and
- debt instruments at fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

The category also contains an equity investment. The Group accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in unlisted equity securities at fair value through other comprehensive income (FVOCI). The fair value was determined in line with the requirements of AASB 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss.

The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of these requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

12-month expected credit losses' are recognised for financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk while 'lifetime expected credit losses' are recognised for financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(i) Impairment of Assets

At each reporting date, the directors review the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the directors estimate the recoverable amount of the cash-generating unit to which the asset belongs.

(j) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Fair Value of Assets and Liabilities *(continued)*

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation Techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities;
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value; and
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Fair Value of Assets and Liabilities *(continued)*

Fair Value Hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- (i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- (ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(k) Foreign Currency Transactions and Balances

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 parent entity's functional and presentation currency. All figures presented in the financial report have been rounded to the nearest dollar.

Transaction 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 year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of profit or loss and other comprehensive income.

Controlled entities

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

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

Exchange differences arising on 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 statement of profit or loss and other comprehensive income in the period in which the operation is disposed. The functional currency of the subsidiaries incorporated in the Philippines (refer Note 20) is the Philippine PESO.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(l) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.

(m) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and service tax (GST).

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(o) Earnings/(Loss) per share

(i) *Basic Earnings/(Loss) per share*

Basic earnings/(loss) per share is determined by dividing the operating profit/(loss) after income tax attributable to members of Sunshine Gold Limited by the weighted average number of ordinary shares outstanding during the financial year.

(ii) *Diluted Earnings/(Loss) per share*

Diluted earnings/(loss) per share adjusts the amounts used in the determination of basic earnings/(loss) per share by taking into account unpaid amounts on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year. Unpaid amounts on ordinary shares and the exercise of options are excluded if they are anti-dilutive.

(p) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(q) Adoption of new and revised standards

Standards and Interpretations issued not yet adopted

The Directors have also reviewed all Standards and Interpretations that are relevant to the Group and have recently been revised or amended but are not mandatory for the year ended 30 June 2022. As a result of this review the Directors have determined that there is no material impact of these Standards and Interpretations and, therefore, no change is necessary to Group accounting policies.

(r) Critical Accounting Estimates and Judgments

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 27 for further information.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment. Refer to notes 8 and 12 for ROU assets and lease liabilities recognised for the Group's leasing arrangement.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Rehabilitation provision

A provision has been made for the present value of anticipated costs for future rehabilitation of land explored or mined. The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate for assets retirement obligations and site rehabilitations in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the Group will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

NOTE 2: OTHER INCOME

	Consolidated	
	2022	2021
	\$	\$
Interest earned	5,934	16,295
Consideration for termination of revenue sharing agreement	-	225,000
Total	5,934	241,295

NOTE 3: EXPENSES AND GAINS/(LOSSES)

Significant Items

Profit/(Loss) before income tax includes the following expenses whose disclosure is relevant in explaining the financial performance of the Group:

Included in corporate expenses

Accounting and administration fees	106,530	73,601
Consulting and directors fees	272,817	273,890
Share register maintenance and listing fees	75,079	110,655
Legal fees	2,049	298,643

NOTE 4: INCOME TAX

The prima facie tax on loss before income tax is reconciled to the income tax as follows:

	Consolidated	
	2022	2021
	\$	\$
Loss before income tax	(1,667,266)	(1,064,797)
Income tax calculated at 30% (2021: 30%)	(500,180)	(319,439)
Add back:		
Provisions	57,014	(3,505)
Capital raising costs	(32,860)	(8,049)
Fair value loss on investment	48,420	-
Share-based payments	25,108	-
Capitalised exploration immediately deductible	(1,329,018)	(700,344)
Other	927	455
Future income tax benefits not brought to account	1,730,589	1,031,337
Income tax expense/(benefit)	-	-
Deferred tax assets:		
Capital raising costs	383,307	219,318
Provisions	68,359	11,345
Carried forward tax losses (including foreign tax losses)	3,553,303	1,822,714
	4,004,969	2,053,378
Deferred tax liabilities:		
Capitalised exploration costs	2,029,361	1,354,062
	2,029,361	1,354,062

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 4: INCOME TAX *(continued)*

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits thereof.

Consolidated	
2022	2021
\$	\$

NOTE 5: CASH AND CASH EQUIVALENTS

Cash at bank	1,853,737	2,192,165
	<u>1,853,737</u>	<u>2,192,165</u>

NOTE 6: TRADE AND OTHER RECEIVABLES

Current

Goods and services tax	58,089	90,170
Other	11,130	1,541
	<u>69,219</u>	<u>91,711</u>

NOTE 7: EXPLORATION AND EVALUATION EXPENDITURE

Balance at the beginning of the period	4,513,541	-
Acquisition of XXXX Gold Pty Ltd (note 29)	1,000,000	2,482,688
Acquisition of Ukalunda Pty Ltd (note 30)	-	399,998
Expenditure incurred during the period	4,430,059	1,630,855
Balance at the end of the period	<u>9,943,600</u>	<u>4,513,541</u>

The above amounts represent costs of areas of interest carried forward as an asset in accordance with the accounting policy set out in Note 1(f). The ultimate recoupment of deferred exploration and evaluation expenditure in respect of an area of interest is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively sale of the underlying areas of interest for at least their carrying value.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

	Consolidated	
	2022	2021
	\$	\$
NOTE 8: PLANT AND EQUIPMENT		
At cost	382,529	47,549
Accumulated depreciation	(41,972)	(8,538)
	340,557	39,011
Plant and equipment		
Balance at the beginning of the period	39,011	-
Acquisition of XXXX Gold Pty Ltd (note 29)	-	47,633
Additions/(Disposals)	61,055	(84)
Depreciation expense	(18,216)	(8,538)
Balance at the end of the period	81,850	39,011
Right of use asset		
Balance at the beginning of the period	-	-
Additions/(Disposals)	273,925	-
Depreciation expense	(15,218)	-
Balance at the end of the period	258,707	-
NOTE 9: OTHER FINANCIAL ASSETS		
Non Current		
Unlisted investments at fair value:		
Shares in other entities ⁽ⁱ⁾ (fair value through profit or loss)	51,100	200,000
	51,100	200,000
(i) As at 30 June 2022, the Group held 6,250,000 shares in Cockatoo Iron Pty Ltd as a result of the sale of the Cockatoo Island Project.		
NOTE 10: TRADE AND OTHER PAYABLES		
Trade payables and accrued expenses	306,134	155,443
Advances/loans – other parties	-	1,279
	306,134	156,722

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

	Consolidated	
	2022	2021
	\$	\$
NOTE 11: INTEREST BEARING LIABILITIES		
Current	8,408	19,158
Non-Current	-	8,301
	8,408	27,459
NOTE 12: LEASE LIABILITY		
Office operating lease		
Current	87,282	-
Non-Current	172,595	-
	259,877	-
NOTE 13: EMPLOYEE LEAVE LIABILITIES		
Annual leave entitlements	50,863	18,315
	50,863	18,315
NOTE 14: PROVISIONS		
Provision for rehabilitation	357,000	-
	357,000	-

Provision for rehabilitation

The provision represents the present value of the estimated costs to rehabilitate the exploration areas affected.

As part of its acquisition of Nugold Hill Mines in 2002, the Company has an obligation to rehabilitate the Xanadu tenements area. The Company has a security bond in place with the Department of Mines, Industry, Regulation and Safety which is expected to cover the majority of the cost. The Company believes there are no potential for future operations, therefore it has engaged environmental consultants to develop a plan to rehabilitate the Xanadu tenements area that will satisfy the requirements of the Department of Mines, Industry, Regulation and Safety.

As a result of this change in obligation from the prior period, the Company has recognized a Provision for Rehabilitation of \$357,000 during the year ended 30 June 2022.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Consolidated	
	2022	2021
	\$	\$
NOTE 15: ISSUED CAPITAL		
(a) Issued Capital		
619,722,730 Ordinary shares fully paid (2021: 444,711,618)	22,497,970	17,609,493

(b) Movements in ordinary share capital of the Company:

Date	Details	No. of Shares	\$
01/07/2020	Opening balance	408,591,140	14,096,796
30/10/2020	Share consolidation (5 for 8)	(153,221,766)	-
09/12/2020	Entitlement offer	63,842,244	1,276,845
09/12/2020	Broker offer	37,500,000	750,000
09/12/2020	XXXX Gold Vendor Consideration	88,000,000	1,760,000
	Less: capital raising costs	-	(274,148)
30/06/2021	Closing balance	<u>444,711,618</u>	<u>17,609,493</u>
01/07/2021	Opening balance	444,711,618	17,609,493
27/09/2021	Placement	104,111,112	4,685,000
29/11/2021	Director Placement	7,000,000	315,000
30/11/2021	Option exercise	5,400,000	162,000
01/04/2022	Performance rights vesting (d)	8,500,000	-
01/04/2022	Deferred shares vesting (c)	50,000,000	-
	Less: capital raising costs	-	(273,523)
30/06/2022	Closing balance	<u>619,722,730</u>	<u>22,497,970</u>

(c) Deferred Shares

As part of the consideration for the acquisition of XXXX Gold Pty Ltd, the Company issued:

- (a) 50,000,000 Deferred Shares on the Company announcing to ASX, within 3 years of completion of the Acquisition, that it has a JORC 2012 compliant Inferred Resource of 100,000 ounces of gold or gold equivalent at a minimum 1 gram per tonne cut off on tenements owned or being acquired or applied for by XXXX Gold at the time of completion; and
- (b) further 50,000,000 Deferred Shares on the Company announcing to ASX, within 3 years of completion of the Acquisition, that it has a JORC 2012 compliant Inferred Resource of 200,000 ounces of gold or gold equivalent at a minimum 1 gram per tonne cut off on tenements owned or being acquired or applied for by XXXX Gold at the time of completion.

On 31 March 2022, the Company announced a maiden Resource at the 100% owned Triumph Gold Project totalling 1.8 million tonnes at 2.0 g/t for 118 koz of contained gold. As a result, 50,000,000 Deferred Shares vested and were converted into fully paid ordinary shares. Refer to Note 27 for valuation of deferred shares. The value of deferred shares was recognized in reserves.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 15: ISSUED CAPITAL (continued)

(d) Performance Rights

During the 2021 financial year, 17,000,000 Performance Rights were issued to directors in the following tranches:

- (a) Tranche 1 – 50% of the rights will vest on the Company announcing to ASX within 3 years of completion of the acquisition of XXXX Gold Pty Ltd (note 27) that it has a JORC 2012 compliant resource of 100,000 ounces of gold; and
- (b) Tranche 2 – 50% of the rights will vest on the Company announcing to ASX within 3 years of completion of the acquisition of XXXX Gold Pty Ltd (note 27) that it has a JORC 2012 compliant resource of 200,000 ounces of gold.

On 31 March 2022, the Company announced a maiden JORC 2012 Mineral Resource Estimate at the 100% owned Triumph Gold Project totalling 1.8 million tonnes at 2.03 g/t for 118 koz of contained gold. As a result, 8,500,000 Performance Rights vested and were converted into fully paid ordinary shares.

At date of issue, no value has been ascribed to the Tranche 2 Performance Rights as the achievement of the hurdle cannot be assessed with any certainty. During the 2022 financial year, the Company recognized a share-based payment expense of \$170,000 relating to the Tranche 1 Performance Rights that vested which has been recorded in the options reserve. Refer to Note 27 for further information on the valuation.

(e) Capital Risk Management

When managing capital, management's objective is to ensure the Group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the Group.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, enter into joint ventures or sell assets.

The Group does not have a defined share buy-back plan.

No dividends were paid in 2021 and no dividends will be paid in 2022.

There is no current intention to incur further debt funding on behalf of the Group as on-going expenditure will be funded via cash reserves or equity.

The Group is not subject to any externally imposed capital requirements.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

NOTE 16: RESERVES

	Consolidated	
	2022	2021
	\$	\$
(a) Composition		
Share-Based Payments Reserve	4,157,108	2,945,083
	4,157,108	2,945,083

(b) Movements in options on issue during the last two years were as follows:

Date	Details	No. of Unlisted Options	Exercise Price	Expiry Date
01/07/2020	Opening balance	-		
09/12/2020	XXXX Gold Vendor consideration options	40,000,000	\$0.03	30/09/2025
09/12/2020	Board, management and consultant options	21,000,000	\$0.03	30/09/2025
09/12/2020	Underwriter options	10,000,000	\$0.03	30/09/2025
04/01/2021	Employee options	1,000,000	\$0.03	02/11/2025
30/06/2021	Closing balance	72,000,000		
01/07/21	Opening balance	72,000,000		
01/10/21	Employee options	1,000,000	\$0.07	31/07/2024
30/11/21	Option exercise	(5,400,000)	\$0.03	30/09/2025
09/12/21	Employee options	700,000	\$0.07	31/07/2024
30/06/2022	Closing balance	68,300,000		

Refer to Note 27 for details of options and deferred shares issued during the year ended 30 June 2022.

(c) Nature and Purpose of Reserves

Share-Based Payments Reserve

The share-based payments reserve is the value of equity benefits provided to directors, employees and consultants by the Group as part of their remuneration. In addition, where the fair value of goods or services cannot be readily determined, the fair value of equity instruments issued in consideration for the good or service acquired may be recognized within the share-based payments reserve.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

NOTE 17: NOTES TO THE STATEMENT OF CASH FLOWS

	Consolidated	
	2022	2021
	\$	\$
a) Cash and cash equivalents at the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:		
Cash and cash equivalents (Note 5)	1,853,737	2,192,165
b) Reconciliation of net cash and cash equivalents used in operating activities to loss for the year:		
Loss for the year	(1,667,266)	(1,064,797)
Depreciation expense	33,434	8,538
Impairment of investments	161,400	-
Gain on termination of revenue sharing agreement	-	(225,000)
Share based payment expense	212,025	308,000
Movements in assets and liabilities:		
(Increase)/Decrease in trade and other receivables	22,492	(78,814)
(Increase)/Decrease in other assets	43,378	(25,010)
Increase/(Decrease) in trade and other payables	163,494	(44,437)
Net cash used in operating activities	<u>(1,031,043)</u>	<u>(1,121,520)</u>
c) Non-cash investing and financing activities		
The Company issued options to employees as part of their remuneration during the year ended 30 June 2022. The Company issued shares and options for the acquisition of XXXX Gold Pty Ltd during the year ended 30 June 2021. Refer note 29.		
d) Changes in liabilities arising from financing activities		
	Consolidated	
	2022	2021
	\$	\$
Opening balance	27,459	-
Loans and borrowings acquired	259,543	216,235
Repayment of borrowings	(18,714)	(188,776)
Closing balance	<u>268,288</u>	<u>27,459</u>

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 18: KEY MANAGEMENT PERSONNEL

This note is to be read in conjunction with the Remuneration Report which is included in the Directors' Report.

(a) Compensation of Key Management Personnel

	Consolidated	
	2022	2021
	\$	\$
Compensation by category:		
Short-term	398,954	321,587
Post employment	29,096	15,946
Termination benefit	-	-
Share based payment	170,000	252,000
	598,050	589,533

(b) Transactions with Key Management Personnel

There were no transactions with key management personnel during the year ended 30 June 2022.

Transactions with key management personnel in the 2021 financial year is disclosed as follows. On 15 August 2020, XXXX Gold entered into loan agreements with Stone Poneys Nominees Pty Ltd ("Stone Poneys") and Leslie Brian Davis and Annette Fay Davis as trustees for <LB & AF Davis Superannuation Fund>. The key terms of the loan agreements (other than the principal amounts) are identical and are set out below.

Brief description	Certain Vendors (each a Lender) agrees to loan up to the principal amount to XXXX Gold to fund direct exploration expenditure (excluding salaries and for no other purpose) and XXXX Gold agrees to repay that amount to the Lender.
Term	The agreements will terminate on the later of 30 November 2020 or upon full repayment of the relevant loan (Repayment Date).
Principal amount	<ol style="list-style-type: none"> 1. Stone Poneys - \$100,000 2. Leslie Brian Davis and Annette Fay Davis as trustees for <LB & AF Davis Superannuation Fund> - \$50,000
Drawdown	Each drawdown must be for a minimum amount of \$10,000. XXXX Gold agrees to provide a Lender 2 Business Days' written notice of a drawdown.
Interest	Interest will accrue daily at the rate of 10.0% per annum and will be paid monthly from 15 August 2020 until the Repayment Date. XXXX Gold agrees to pay interest to the Lender within 5 Business Days of the end of each month. Any interest accrued at the Repayment Date will be payable to the Lender within 5 Business Days of the Repayment Date.
Repayment	XXXX Gold agrees to repay the loan in full on or by 30 November 2020 (subject to a Lender's right to require immediate repayment in an event of default).

The loans were repaid on 19 January 2021.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

NOTE 19: REMUNERATION OF AUDITORS	Consolidated	
	2022	2021
	\$	\$
Audit services – HLB Mann Judd	37,637	37,598
– Overseas auditors (non HLB affiliates)	-	4,278
	<hr/>	<hr/>
	37,637	41,876
	<hr/>	<hr/>
Non-audit services – HLB Mann Judd	-	25,000
	<hr/>	<hr/>

NOTE 20: INTEREST IN SUBSIDIARIES

(a) Information about Principal Subsidiaries

The consolidated financial statements include the financial statements of Sunshine Gold Limited and the subsidiaries listed in the following table:

	Country of Incorporation	Equity Interest	
		2022	2021
		%	%
XXXX Gold Pty Ltd	AUS	100	100
Ukalunda Pty Ltd	AUS	100	100
Sunrise Exploration Pty Ltd	AUS	100	100
Sunshine Minerals Pty Ltd	AUS	100	100
Sunpacific Resources Philippines, Inc.	PHP	100	100
Sunrom Philippines Holdings Corp'n.	PHP	100	100

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 21: LOSS PER SHARE

The following reflects the income and data used in the calculations of basic and diluted loss per share:

	Consolidated	
	2022	2021
	\$	\$
Loss used in calculating basic and diluted loss per share	(1,667,266)	(1,064,797)
	Number of	Number of
	Shares	Shares
Weighted average number of ordinary shares used in calculating:		
Basic loss per share	546,417,950	411,987,597
Diluted loss per share	546,417,950	411,987,597

NOTE 22: COMMITMENTS FOR EXPENDITURE

	2022	2021
	\$	\$
Minimum exploration expenditure:		
- Not later than 1 year	460,000	250,000
- Between 1 year and 5 years	2,585,000	3,069,500
Finance Lease repayments:		
- Not later than 1 year	8,506	20,415
- Between 1 year and 5 years	-	8,506

NOTE 23: SEGMENT INFORMATION

Business Segments

The directors have considered the requirements of AASB 8 – Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded that at this time there are no separate identifiable business segments.

The operations and assets of Sunshine Gold Limited and its controlled entities are employed in exploration activities relating to minerals in Australia.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 24: RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short-term deposits, short-term loans and investments in unlisted entities.

The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as other receivables and trade payables, which arise directly from its operations. It is, and has been throughout the entire period under review, the Group's policy that trading in financial instruments may be undertaken.

The main risks arising from the Group's financial instruments is cash flow interest rate risk, foreign exchange risk and market price risk. Other minor risks are either summarised below or disclosed at Note 15 in the case of capital risk management. The Board reviews and agrees policies for managing each of these risks.

Cash Flow Interest Rate Risk

The Group's exposure to the risks of changes in market interest rates relates primarily to the Group's short-term deposits with a floating interest rate. These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Group does not engage in any hedging or derivative transactions to manage interest rate risk.

The Group has not entered into any hedging activities to cover interest rate risk. In regard to its interest rate risk, the Group does not have a formal policy in place to mitigate such risks.

The following tables set out the carrying amount by maturity of the Group's exposure to interest rate risk and the effective weighted average interest rate for each class of these financial instruments. There were no fixed interest rate financial assets held by the Group (2021: nil).

	Non Interest Bearing \$	Weighted Average Effective Interest Rate %	Floating Interest Rate \$	Fixed Interest Rate \$	Total \$
	2022	2022	2022	2022	2022
Financial Assets					
- Cash and cash equivalents	1,853,737	0.20	-	-	1,853,737
- Deposits held	-	-	178,615	-	178,615
- Other receivables	701	-	-	-	701
- Unlisted investments	51,100	-	-	-	51,100
Total Financial Assets	<u>1,905,538</u>		<u>178,615</u>	<u>-</u>	<u>2,084,153</u>
Financial Liabilities					
- Trade creditors	306,134	-	-	-	306,134
- Loan – other parties	-	-	8,408	-	8,408
- Lease liability	-	6	-	259,877	259,877
Total Financial Liabilities	<u>306,134</u>		<u>8,408</u>	<u>259,877</u>	<u>574,419</u>
Net Financial Assets / (Liabilities)	<u>1,599,404</u>		<u>170,207</u>	<u>(259,877)</u>	<u>1,509,734</u>

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 24: RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Cash Flow Interest Rate Risk

2021	Non Interest Bearing \$	Weighted Average Effective Interest Rate %	Floating Interest Rate \$	Total \$
	2021	2021	2021	2021
Financial Assets				
- Cash and cash equivalents	492,165	0.60	1,700,000	2,192,165
- Deposits held	-	-	144,000	144,000
- Other receivables	1,541	-	-	1,541
- Unlisted investments	200,000	-	-	200,000
Total Financial Assets	<u>693,706</u>		<u>1,844,000</u>	<u>2,537,706</u>
Financial Liabilities				
- Trade creditors	155,443	-	-	155,443
- Loan – other parties	1,279	-	27,459	28,738
- Lease liability	-	-	-	-
Total Financial Liabilities	<u>156,722</u>		<u>27,459</u>	<u>184,181</u>
Net Financial Assets / (Liabilities)	<u>536,984</u>		<u>1,816,541</u>	<u>2,353,525</u>

Interest Rate Sensitivity

At 30 June 2022, if interest rates had changed by 10% during the entire year with all other variables held constant, profit/(loss) for the year and equity would have been \$593 lower/higher, mainly as a result of lower/higher interest income from cash and cash equivalents.

A sensitivity of 10% has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates. A 10% decrease sensitivity would move short term interest rates at 30 June 2022 from around 1.35% to 1.21% (10% increase: 1.48%) representing an 8 basis points shift. This would represent one increase which is reasonably possible in the current environment with the bias coming from the Reserve Bank of Australia and confirmed by market expectations that interest rates in Australia are more likely to move up than down in the coming period.

Based on the sensitivity analysis, only interest revenue from variable rate deposits and cash balances are impacted resulting in a decrease or increase in overall income.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 24: RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity Risk

The Group manages liquidity risk by maintaining sufficient cash reserves and marketable securities and through the continuous monitoring of budgeted and actual cash flows.

	Consolidated	
	2022	2021
	\$	\$
Contracted maturities of undiscounted liabilities at 30 June		
Payables		
- less than 30 days	306,134	156,722
- less than 12 months	-	-
Loans other parties		
- less than 12 months	8,408	19,158
- greater than 12 months	-	8,301
Lease liability		
- less than 12 months	100,000	
- between 1 to 2 years	100,000	
- between 2 to 5 years	83,333	
	<u>597,875</u>	<u>184,181</u>

Market Price Risk

The Group is exposed to equity price risk which arises from equity securities at fair value through profit or loss (FVTPL).

The Group is exposed to market price risk arising from investments in other companies carried at fair value. At 30 June 2022, if the fair value of investments in other companies had changed by 10% during the entire year with all other variables held constant, profit/(loss) for the year and equity would have been \$20,000 lower/higher. The Group holds shares in Cockatoo Iron NL which is held at fair value.

Net Fair Values

For assets and other liabilities the net fair value approximates their carrying value. The Group has financial assets and liabilities that are classified as level 3 under the fair value hierarchy and has no financial assets or liabilities where the carrying amount exceeds net fair values at balance date.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to and forming part of the financial statements.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 24: RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Financial Instruments

The following table presents the Group's assets and liabilities measured and recognised at fair value:

30 June 2022	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Equity investments at FVTPL	-	-	51,100	51,100

30 June 2021	Level 1	Level 2	Level 3	Total
<i>Asset</i>	\$	\$	\$	\$
Equity investments at FVTPL	-	-	200,000	200,000

Financial liabilities

	Interest rate	Maturity	30 June 2022	30 June 2021
	%		\$	\$
Finance lease	6.99	6/11/2022	8,408	27,459
			8,408	27,459

Valuation techniques

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Fair Value Hierarchy

Level 3

Fair value through FVTPL

Fair value is based on unobservable inputs for the asset or liability.

NOTE 25: EVENTS SUBSEQUENT TO REPORTING PERIOD

On 22 August 2022, the Company completed a capital raising of \$3.505 million (before costs) by the issue of 140,200,000 fully paid ordinary shares at \$0.025 per share to institutional and sophisticated investors. An additional amount of 9,800,000 fully paid ordinary shares at \$0.025 per share raising \$245,000 to be issued to directors is subject to shareholder approval which will be sought at the Company's Annual General Meeting.

No other matters or circumstances have arisen subsequent to the balance date which would significantly affect the operations of the Group, its operating results or its state of affair in the subsequent financial years.

NOTE 26: CONTINGENT LIABILITIES

The Company has no known material contingent liabilities at the end of the financial year.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 27: SHARE BASED PAYMENTS

The following share-based payment transactions occurred or were recognised during the year:

- 1,700,000 \$0.07 share options expiring 31/07/2024 were issued to employees. These options were valued at \$42,025 and were fully expensed.
- 5,400,000 \$0.03 options expiring 30/9/2025 were exercised by directors raising \$162,000 in cash. The shares issued on exercise are escrowed until 10/12/2022.
- 8,500,000 performance rights expiring 30 September 2023 vested. The performance rights were valued at \$170,000 and were fully expensed on achievement of the milestone, refer note 15(d).
- 50,000,000 deferred shares expiring 24 November 2023 vested. The deferred shares were valued at \$1,000,000 capitalized as exploration and evaluation expenditure as it related to the acquisition of XXXX Gold Pty Ltd in November 2020.
- The performance rights and deferred shares were valued at \$0.02 being the market price of the Company's shares on the measurement date.

All share options issued during the year vested immediately. The total amount of \$42,025 (2021: \$308,000) was recognised as a share-based payment expense, \$nil (2021: \$140,000) was recognised as a capital raising cost and \$1,000,000 (2021: \$560,000) was recognised as consideration paid to the XXXX Gold vendors.

Fair values of share options issued are determined using the Black-Scholes model based on information available as at the measurement date, considering the exercise price, term of option, the share price at grant date, expected price volatility of the underlying share, expected yield and the risk-free interest rate for the term of the option. Parameters for all share options on issued during period were:

Measurement date	27/09/21	07/12/21
Issue date	01/10/21	09/12/21
Expiry date	31/07/24	31/07/24
Dividend yield	Nil	Nil
Expected volatility	100%	100%
Risk-free interest rate	0.19%	0.93%
Expected life of options (years)	2.84	2.65
Underlying share price	\$0.051	\$0.043
Option exercise price	\$0.07	\$0.07
Value of option	\$0.027	\$0.021
Number of options issued	1,000,000	700,000
Value of options	\$27,407	14,618
Amount expensed during year	\$27,407	14,618

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2022	Number of Options 2022	Weighted average exercise price 2021	Number of Options 2021
Outstanding at 1 July	\$0.03	72,000,000	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	\$0.03	(5,400,000)	-	-
Expired during the year	-	-	-	-
Granted during the year	\$0.07	1,700,000	\$0.03	72,000,000
Outstanding at 30 June	\$0.03	68,300,000	\$0.03	72,000,000
Exercisable at 30 June	\$0.03	68,300,000	\$0.03	72,000,000

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 28: PARENT ENTITY DISCLOSURES

The accounting policies of the Parent Entity are consistent with those of the Group as disclosed in Note 1, except for Investment in Subsidiaries, which are accounted for at cost less impairment

(a) Financial Position

	2022	2021
	\$	\$
Current Assets	1,927,913	2,350,884
Total Assets	13,451,644	8,128,903
Current Liabilities	75,154	21,010
Total Liabilities	432,154	21,010
Equity		
Issued capital	22,497,970	17,609,492
Reserves	4,157,108	2,945,083
Accumulated losses	(13,635,588)	(12,446,682)
Total Equity	<u>13,019,490</u>	<u>8,107,893</u>

(b) Financial Performance

Profit/(Loss) for the year	(1,188,906)	(929,347)
Other comprehensive income		-
Total Comprehensive Profit/(Loss)	<u>(1,188,906)</u>	<u>(929,347)</u>

(c) Guarantees

The parent entity has not entered into any guarantees, in relation to the debts of subsidiaries.

(d) Contingent liabilities

The parent entity has no known material contingent liabilities at the end of the financial year.

(e) Commitments for expenditure

The parent entity has not entered into any commitments for expenditure as at the end of the financial year.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 29: ACQUISITION OF XXXX GOLD PTY LTD

On 30 July 2020, the Company entered into Memorandum of Understanding (“MOU”) with XXXX Gold Pty Ltd (“XXXX Gold”) to acquire all the issued shares and options in XXXX Gold. The acquisition was subject to various conditions precedent and was completed on 9 December 2020.

Consideration

As consideration for the acquisition, the Company agreed to issue to the shareholders of XXXX Gold the following securities in the capital of the Company (on a post-Consolidation basis):

- (a) 88,000,000 Consideration Shares;
- (b) 40,000,000 Consideration Options;
- (c) 50,000,000 Deferred Shares on the Company announcing to ASX, within 3 years of completion of the Acquisition, that it has a JORC 2012 compliant inferred resource of 100,000 ounces of gold or gold equivalent at a minimum 1 gram per tonne cut off on tenements owned or being acquired or applied for by XXXX Gold at the time of completion; and
- (d) a further 50,000,000 Deferred Shares on the Company announcing to ASX, within 3 years of completion of the Acquisition, that it has a JORC 2012 compliant inferred resource of 200,000 ounces of gold or gold equivalent at a minimum 1 gram per tonne cut off on tenements owned or being acquired or applied for by XXXX Gold at the time of completion.

Accounting standards applied

The acquisition of XXXX Gold has been accounted for as an asset acquisition. The acquisition does not meet the definition of a business combination in accordance with AASB 3 Business Combinations (as XXXX Gold is considered for accounting purposes not to be a business). As such the acquisition has been accounted for as a share-based payment transaction using the principles of AASB 3 Business Combinations and AASB 2 Share-based Payment.

The fair value of the consideration paid and allocation to net identifiable assets is as follows:

	\$
<i>Fair value of consideration paid:</i>	
88,000,000 Consideration Shares	1,760,000
40,000,000 Consideration Options	560,000
100,000,000 Deferred Shares ⁽ⁱ⁾	-
	<u>2,320,000</u>
<i>Fair value of net identifiable assets acquired:</i>	
Cash and cash equivalents	53,155
Security deposits	20,000
Trade and other receivables	25,431
Property, plant and equipment	47,633
Exploration and evaluation expenditure	2,482,688
Trade and other payables	(97,386)
Loans and borrowings	(211,521)
	<u>2,320,000</u>

⁽ⁱ⁾ No cost has been attributed to the Deferred shares due to exploration activities of the Company not yet being at a stage to determine if the vesting conditions will be met. Refer to Note 15(c) and 27 for the reassessment of recognition of the deferred shares during the year on achievement of a vesting condition.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 30: ACQUISITION OF UKALUNDA PTY LTD

On 31 March 2021, the Company acquired Ukalunda Pty Ltd (“Ukalunda”) for \$400,000 cash, refund of a security bond of \$4,500 and a 1% net smelter royalty on gold revenue from Stavely Minerals Ltd. Ukalunda 100% owns the Ravenswood Project.

Accounting standard applied

The acquisition of Ukalunda has been accounted for as an asset acquisition. The acquisition does not meet the definition of a business combination in accordance with AASB 3 Business Combinations (as Ukalunda is considered for accounting purposes not to be a business). As such the acquisition has been accounted for as a share-based payment transaction using the principles of AASB 3 Business Combinations and AASB 2 Share-based Payment.

The fair value of the consideration paid and allocation to net identifiable assets is as follows:

	\$
<i>Fair value of consideration paid:</i>	
Cash	400,000
Security Bond	4,500
1% net smelter royalty	-
	<u>404,500</u>
 <i>Fair value of net identifiable assets acquired:</i>	
Cash and cash equivalents	2
Security deposits	4,500
Exploration and evaluation expenditure	399,998
	<u>404,500</u>

⁽ⁱ⁾ No cost has been attributed to the net smelter royalty due to exploration activities of the Company not yet being at a stage to determine if the royalty will be paid.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

1. In the opinion of the Directors:
- a. the accompanying financial statements, notes and additional disclosures are 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 2022 and of its performance for the year then ended; and
 - ii. complying with Accounting Standards and Corporations Regulations 2001; and
 - b. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. 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 2022.

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



Alec Pismiris

Director

Dated this 29th day of September 2022

INDEPENDENT AUDITOR'S REPORT

To the members of Sunshine Gold Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Sunshine Gold Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2022, 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 statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the 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* ("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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 **E:** mailbox@hلبwa.com.au

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Key Audit Matter	How our audit addressed the key audit matter
<p data-bbox="229 168 821 235">Carrying Value of Exploration and Evaluation Refer to Note 7</p> <p data-bbox="229 257 821 459">In accordance with AASB 6 <i>Exploration and Evaluation Expenditure of Mineral Resources</i>, the Group capitalises exploration and evaluation expenditure and as at 30 June 2022 had a deferred exploration and evaluation balance of \$9,943,600.</p> <p data-bbox="229 481 821 705">Exploration and evaluation expenditure was determined to be a key audit matter as it is important to the users' understanding of the financial statements as a whole and was an area which involved the most audit effort and communication with those charged with governance.</p>	<p data-bbox="821 257 1409 324">Our procedures included but were not limited to:</p> <ul data-bbox="821 347 1409 929" style="list-style-type: none"> - Obtaining an understanding of the key processes associated with management's review of the carrying value of exploration and evaluation expenditure; - Considering the Directors' assessment of potential indicators of impairment in addition to making our own assessment; - Obtaining evidence that the Company has current rights to tenure of its areas of interest; - Considering the nature and extent of planned ongoing activities; - Substantiating a sample of expenditure by agreeing to supporting documentation; and - Examining the disclosures made in the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022 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 accordingly 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 have no realistic alternative but to do so.

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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 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We, also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most

hlb**.com.au**

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 **E:** mailbox@h**lb**wa.com.au

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significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Sunshine Gold Limited for the year ended 30 June 2022 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.

**HLB Mann Judd
Chartered Accountants**

**Perth, Western Australia
29 September 2022**



**D. Buckley
Partner**

hlb.com.au

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Sunshine Gold Limited for the year ended 30 June 2022, 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 audit; and
- b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
29 September 2022



D I Buckley
Partner

hlb.com.au

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SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

ASX ADDITIONAL INFORMATION

QUOTED SECURITIES

(a) ORDINARY FULLY PAID SHARES

(i) DISTRIBUTION OF SHAREHOLDERS AS AT 21 SEPTEMBER 2022:

SPREAD OF HOLDINGS	NO. OF HOLDERS	NO. OF SHARES	PERCENTAGE OF ISSUED CAPITAL %
1 – 1,000	56	19,357	0.00%
1,001 - 5,000	39	113,106	0.01%
5,001 - 10,000	67	583,028	0.08%
10,001 - 100,000	493	24,437,479	3.22%
100,001+	547	734,769,760	96.69%
	1,202	759,922,730	100.00%

The number of shareholdings held in less than marketable parcels is 286 (based on the last sale price of \$0.023 on 21 September 2022).

(ii) TOP 20 HOLDERS OF ORDINARY FULLY PAID SHARES:

The names of the twenty largest shareholders of ordinary fully paid shares are listed below:

NAME	NO. OF ORDINARY SHARES HELD	PERCENTAGE OF ISSUED SHARES %
1 Snowball 3 Pty Ltd <Antonio Torresan Super A/C>	52,000,000	6.84%
2 Stone Poneys Nominees Pty Ltd <Chapman Super Fund A/C>	39,900,000	5.25%
3 Mr Leslie Brian Davis & Mrs Annette Fay Davis <LB & AF Davis S/F A/C>	35,940,000	4.73%
4 Mr Damien Leslie Keys & Mrs Amy Dawn Keys <The ADK Family A/C>	35,500,000	4.67%
5 Pareto Nominees Pty Ltd <The Damelle A/C>	34,500,000	4.54%
6 Tri-Star E&P Pty Ltd	20,000,000	2.63%
7 P D Crutchfield Pty Ltd <Crutchfield Super Fund A/C>	18,756,463	2.47%
8 Mr Kenneth Gatchalian	16,062,244	2.11%
9 Monslit Pty Ltd <Anthony Torresan A/C>	15,000,000	1.97%
9 Topaze Enterprises Pty Ltd <GBM A/C>	15,000,000	1.97%
9 Mr Joe Leuzzi & Mrs Sally Leuzzi	15,000,000	1.97%
10 Mr Philip David Crutchfield	10,000,000	1.32%
10 ACP Investments Pty Ltd	10,000,000	1.32%
10 DF Lynton-Brown Pty Ltd <DF Lynton-Brown P/L S/F A/C>	10,000,000	1.32%
10 Mr Roger Blake & Mrs Erica Lynette Blake <The Mandy Super Fund A/C>	10,000,000	1.32%
11 Darlot Investments Pty Ltd <Jones Super Fund A/C>	9,000,000	1.18%
12 Parkrange Nominees Pty Ltd	8,795,556	1.16%
13 Citicorp Nominees Pty Limited	8,116,533	1.07%
14 Mr Pavle Tomasevic	8,000,000	1.05%
15 Mr Glenn Thomas Garbin & Mrs Lynette Evelyn Garbin <G Garbin Super Fund A/C>	5,622,222	0.74%
16 Mr Glenn Thomas Garbin <Glenn Garbin Family A/C>	5,007,222	0.66%
17 Northerly Investments Pty Ltd	5,000,000	0.66%

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

17	Mrs Judith Suzanne Piggin & Mr Damien Jaye Piggin & Mr Glenn Adam Piggin <Piggin Family S/F A/C>	5,000,000	0.66%
17	Mr Damien Leslie Keys	5,000,000	0.66%
17	ACP Investments Pty Ltd <A & L Pismiris S/F A/C>	5,000,000	0.66%
17	Quartz Mountain Mining Pty Ltd <The Bass Family A/C>	5,000,000	0.66%
18	Almost Farming Pty Ltd <Slee Family A/C>	4,010,000	0.53%
19	Briken Nominees Pty Ltd <Briken Port 3 A/C>	4,003,408	0.53%
20	Energy-Saving Technology Pty Ltd <Est Ac>	3,918,801	0.52%
	Total	419,132,449	55.15%
	Total Issued Capital	759,922,730	100.00%

(iii) VOTING RIGHTS

Article 12.13 of the Constitution specify that on a show of hands every member present in person, by attorney or by proxy shall have:

- (a) for every fully paid share held by him one vote; and
- (b) for every share which is not fully paid a fraction of the vote equal to the amount paid up on the share over the nominal value of the shares.

(iv) SUBSTANTIAL SHAREHOLDERS

Name	Ordinary Shares	
	No.	%
Torresan Group	67,000,000	6.84
Stone Poneys Nominees Pty Ltd	39,900,000	5.25
	106,900,000	12.09

(b) UNQUOTED SECURITIES

(i) UNLISTED OPTIONS ON ISSUE

Options exercisable at \$0.03 expiring 30 September 2025	65,600,000
Options exercisable at \$0.03 expiring 2 November 2025	1,000,000
Options exercisable at \$0.07 expiring 31 July 2024	1,700,000

(ii) PERFORMANCE RIGHTS

Performance rights with vesting conditions expiring 30 September 2023	8,500,000
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(ii) DEFERRED CONSIDERATION SHARES

Deferred shares with vesting conditions expiring 11 December 2023	50,000,000
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SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT

Sunshine Gold Limited and the Board are committed to achieving and demonstrating high standards of corporate governance. Sunshine Gold Limited has modelled its corporate governance policies against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council.

The 2022 corporate governance statement was approved by the board on 16 September 2022 and is current as at 29 September 2022. A description of the Group's current corporate governance practices is set out in the Group's Corporate Governance Statement which can be viewed at www.shngold.com.au/investor-centre/corporate-governance/.

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