



SUNSHINE GOLD LIMITED
(FORMERLY PELICAN RESOURCES LIMITED)

A.B.N. 12 063 388 821

ANNUAL FINANCIAL REPORT

30 JUNE 2021

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

CORPORATE DIRECTORY

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COMPANY SECRETARY		
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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 (formerly Pelican Resources Limited) ("**Sunshine Gold**" or "**the Company**") and its controlled entities for the financial year ended 30 June 2021 ("**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 (appointed 24 November 2020)
Paul Chapman (appointed 24 November 2020)
Leslie Davis (appointed 24 November 2020)
Antonio Torresan
Colin Chenu (resigned 24 November 2020)

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 Limited, Frontier Resources Limited, The Market Herald Limited and Pacton Gold Inc.

Former directorships (last 3 years): Agua Resources Limited, Victory Mines Limited.

Damien Keys PhD (Struct. Geo), MAIG (appointed 24 November 2020)
Managing Director

Dr Keys is a geologist with 19 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 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, ACA, Grad. Dip. Tax, MAICD, MAusIMM (appointed 24 November 2020)
Non-Executive Director

Mr Chapman is a chartered accountant with over 30 years in the resource sector. Mr Chapman has experience across a range of commodity businesses including gold, nickel, uranium, manganese, bauxite/alumina and oil/gas. Mr Chapman has held managing director and other senior management roles in public companies. Mr Chapman was a founding director of Reliance Mining, Encounter Resources, Rex Minerals, Silver Lake Resources, Black Cat Syndicate and Dreadnought Resources.

Other current ASX directorships: Black Cat Syndicate Limited, Dreadnought Resources Ltd, Encounter Resources Ltd

Former directorships (last 3 years): Avanco Resources Limited

Leslie Davis B.Sc. MAusIMM (appointed 24 November 2020)
Non-Executive Director

Mr Davis has 38 years' mining industry experience including 17 years hands-on experience in mine development and narrow vein mining. Mr Davis was the founding Managing Director of Silver Lake Resources and a director of Black Cat Syndicate and Spectrum Metals. Mr Davis has completed a Masters of Science in mineral economics.

Other current ASX directorships: Black Cat Syndicate Limited

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

Antonio Torresan

Non-Executive Director (resigned as executive director 24 March 2021; appointed as non-executive director 24 March 2021)

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)

PARTICULARS OF DIRECTORS (CONTINUED)

Colin Chenu, B. Juris, LLB (resigned 24 November 2020)
Non-Executive Director

Mr Chenu is a graduate of the University of Western Australia, with a Bachelor of Laws, and is admitted to practice in the Supreme Court of Western Australia and the High Court of Australia. He has practised law in Western Australia for more than 30 years, as both a barrister and solicitor, in a wide range of commercial, litigious and non litigious work. Mr Chenu has gained extensive experience in the law of corporations, trade practices, contracts, equity and trusts and tort.

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 2021 by each director:

	Number Eligible to Attend	Number Attended
Alec Pismiris	15	15
Damien Keys	9	9
Paul Chapman	9	9
Leslie Davis	9	9
Antonio Torresan	15	15
Colin Chenu	6	6

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 Projects.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

The Company made a loss after tax of \$1,064,797 for the year ended 30 June 2021 (2020: Profit \$21,556).

QUEENSLAND - OPERATIONS

OVERVIEW

Sunshine Gold Limited re-listed on the Australian Securities Exchange ("ASX") (ASX:SHN) on December 11 2020 following the acquisition of XXXX Gold Pty Ltd and successful re-capitalisation, with three projects in Queensland: Triumph (100% SHN), Hodgkinson (100% SHN) and Investigator (100% SHN). In March 2021, Sunshine Gold completed the acquisition of the Ravenswood West Au-Cu-REE Project via acquisition of Ukalunda Pty Ltd (former subsidiary of Stavelly Minerals Ltd). The four projects comprise 1,012 km² of granted tenure, with a further 54 km² under application.

OUR STRATEGY

Sunshine Gold intends to delineate economic resource inventories using systematic and scientific exploration across highly prospective projects. The Company is committed to:

- operating in a safe and sustainable manner;
- applying best practice exploration techniques to unlock resource potential;
- maximising in-ground exploration by maintaining low corporate overheads; and
- being ever vigilant in identifying opportunities to maximise the interests of shareholders.

SAFETY AND SUSTAINABILITY

The Board of Directors of Sunshine Gold are committed to executing the Company's strategy and operations in a safe and responsible manner. There were nil reportable incidents during the reporting period.

EXPLORATION PROGRAMS - TRIUMPH

Sunshine Gold commenced RC drilling at Triumph on the 27 November 2020. A total of 66 holes were drilled for 7,126m in the successful maiden drilling campaign. Drilling occurred at prospects Big Hans, Super Hans, New Constitution, South Constitution, Bald Hill, Brigham Young, Galena and Bonneville (Figure 1).

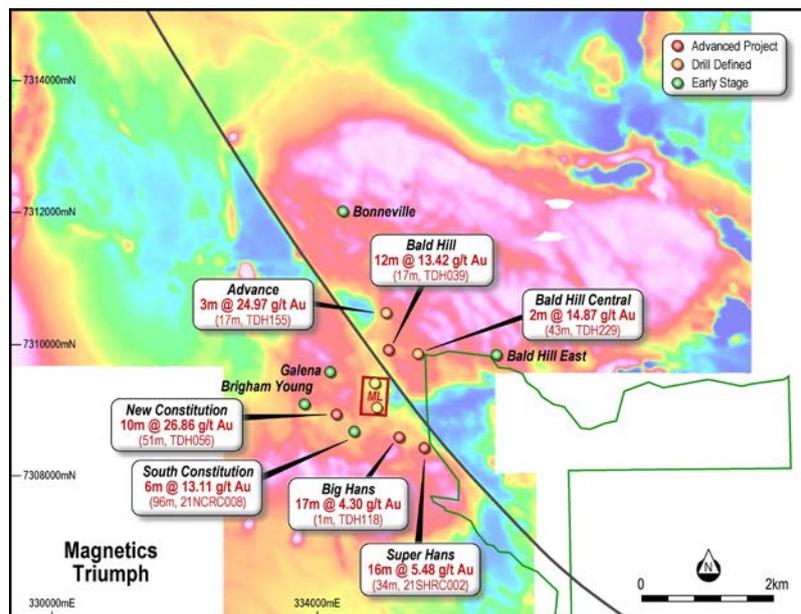


Figure 1. Triumph 1VD RTP Magnetics with significant results by prospect.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

Super Hans (EPM 18486)

13 RC holes drilled, 1,220 metres

Thirteen RC holes (1,220m) were drilled at Super Hans following up on 5 shallow RC hits from 2018 that included:

- TDH181 2m @ 7.57 g/t Au from 1m and 4m @ 2.27 g/t Au from 12m
- TDH124 3m @ 6.46 g/t Au from 6m and 3m @ 1.08 g/t Au from 25m
- TDH182 3m @ 5.01 g/t Au from 20m
- TDH192 22m @ 1.1 g/t Au from 12m
Including 6m @ 1.96 g/t Au from 17m
- TDH184 3m @ 2.09 g/t Au from 22m

Sunshine Gold drilling has defined mineralisation over 200m of strike extent and to depths of ~90m.

Results from drilling for the quarter included:

- 21SHRC001 10m @ 2.96 g/t Au from 11m
Including 7m @ 4.06 g/t Au from 11m
- 21SHRC002 16m @ 5.48 g/t Au from 34m
Including 7m @ 10.64 g/t Au from 34m
- 21SHRC003 3m @ 12.95 g/t Au from 30m
- 21SHRC004 4m @ 1.80 g/t Au from 33m
and 2m @ 1.81 g/t Au from 53m
- 21SHRC005 5m @ 3.20 g/t Au from 31m
- 21SHRC007 2m @ 2.66 g/t Au from 71m
- 21SHRC008 4m @ 3.26 g/t Au from 21m (temporary bore)
- and 7m @ 5.06 g/t Au from 31m
- 21SHRC009 3m @ 3.15 g/t Au from 69m
- 21SHRC010 7m @ 1.19 g/t Au from 69m
- 21SHRC011 2m @ 1.30 g/t Au from 125m
and 2m @ 1.28 g/t Au from 133m

Big Hans (EPM 18486)

7 RC holes drilled, 844 metres

Seven RC holes (844m) were designed to test high-grade potential around the historic intercept, 17m @ 4.30 g/t Au from 1m (TDH118). Drilling intersected significant mineralisation along 250m of strike. Main zone mineralisation has been intersected at 150m depth. Big Hans mineralisation remains open in all directions.

Results include:

- 21BNRC001 4m @ 27.12 g/t Au from 43m
Including 2m @ 52.86 g/t Au from 43m
- 21BNRC003 1m @ 12.70 g/t Au from 96m
- 21BNRC005 8m @ 2.59 g/t Au from 77m
- 21BNRC006 1m @ 7.62 g/t Au from 45m
and 4m @ 11.53 g/t Au from 69m
- 21BNRC007 2m @ 9.56 g/t Au from 63m
and 1m @ 5.52 g/t Au from 70m

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

New Constitution/South Constitution (EPM 18486)

10 RC holes drilled, 1,330 metres

New Constitution is one of the main historic workings on the Triumph Project. A historic drill hole drilled immediately adjacent to the historic workings, intersected 10m @ 26.86 g/t Au from 54m (TDH056). Further drilling along the trend intersected mineralisation over ~250m to the SSE of the TDH056 intersection. Sunshine Gold drilling targeted extensions to the south end of the drilled mineralisation. Drilling also targeted an inferred WNW striking zone of intense potassic alteration – South Constitution. A total of 7 holes (940m) were drilled into New Constitution and a further 3 holes (390m) into South Constitution. Results included:

- 21NCRC001 3m @ 2.50 g/t Au from 80m (South Constitution)
- 21NCRC002 3m @ 10.30 g/t Au from 64m (New Constitution)
- 21NCRC003 2m @ 4.55 g/t Au from 64m (New Constitution)
- 21NCRC004 4m @ 2.20 g/t Au from 168m (New Constitution)
- 21NCRC006 1m @ 21.91 g/t Au from 135m (South Constitution)
- 21NCRC007 2m @ 3.58 g/t Au from 135m (New Constitution)
- 21NCRC008 6m @ 13.11 g/t Au from 17m (South Constitution)

Bald Hill (EPM 18486)

21 holes drilled, 2,196 metres

Sunshine Gold completed broad spaced, infill drilling at Bald Hill. RC drilling aimed to infill and extend on previous programs that have yielded results including: 12m @ 13.42 g/t Au (9m, TDH039), 9m @ 3.59 g/t Au (114m, TDH008), and 11m @ 3.03 g/t Au (46m, TDH046). Results from the twenty-one holes included:

- 21BHRC013 2m @ 4.65 g/t Au from 33m
Including 1m @ 8.77 g/t Au from 33m
- 21BHRC014 2m @ 1.35 g/t Au from 46m
- 21BHRC015 2m @ 1.73 g/t Au from 78m
- 21BHRC016 4m @ 1.11 g/t Au from 89m
- 21BHRC010 2m @ 1.30 g/t Au from 49m

Other (EPM 18486)

7 holes drilled, 622 metres Galena

3 holes drilled, 420 metres Brigham Young

5 holes drilled, 494 metres Bonneville

Sunshine Gold geologists located the historic Galena adit. An inspection revealed a discrete vein that had been mined circa 1910. Seven shallow RC holes were designed to assess whether the discrete vein was in fact part of a broader vein network and whether the vein would swell in thickness. Galena was in fact one of several veins that were all less than a metre in thickness.

The Brigham Young vein is a WNW striking vein that is interpreted to intersect and potentially offset the northern end of the New Constitution orebody. Three holes were designed to assess the vein, with 21BYRC003 also aiming to intersect any offset position on the New Constitution lodes. Mineralisation was intersected in two of the holes but was unable to be strung together. Infill and step off extensional drilling at New Constitution will be conducted to assist with future Brigham Young interpretation.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

Drilling at Triumph commenced with a 5 hole, 494m RC reconnaissance drilling program at Bonneville on 27 November 2020. Drilling tested a coincident geophysical (magnetic and induced polarisation) and rock-chip geochemical anomaly.

- 21GARC004 1m @ 6.41 g/t Au from 69m (Galena)
- 21GARC006 1m @ 1.42 g/t Au from 43m
and 1m @ 2.46 g/t Au from 63m (Galena)
- 21GARC007 1m @ 1.22 g/t Au from 37m (Galena)
- 21BYRC001 1m @ 1.56 g/t Au from 123m
and 2m @ 1.28 g/t Au from 133m (Brigham Young)
- 21BYRC003 1m @ 3.33 g/t Au, 1.1% Pb & 2.3% Zn from 12m (Brigham Young)

Triumph RC drilling concluded in late March 2021 with no safety or environmental incidents recorded. Rehabilitation of the drilling sites was completed in April 2021. Wild Environmental Consultants were engaged to complete a baseline flora and fauna survey across the Southern Corridor prospects - Super Hans, Big Hans and New Constitution.

Drilling is scheduled to return to Triumph in the October 2021 quarter. Infill and extensional drilling is planned at Big Hans, Super Hans, New Constitution and South Constitution.

EXPLORATION PROGRAMS - RAVENSWOOD WEST

The Ravenswood West project comprises 4 granted exploration permits spanning 392 km² and a further 2 exploration permits in application 54 km². In March 2021, Sunshine Gold completed the acquisition of the Ravenswood West Au-Cu-REE Project via acquisition of Ukalunda Pty Ltd (former subsidiary of Stavely Minerals Ltd). Sunshine Gold commenced exploration upon acquisition with focused exploration in the Dreghorn prospect.

Sunshine Gold used a systematic approach to exploration at Dreghorn including:

- Reprocessing of existing magnetic surveys and a subsequent structural re-interpretation;
- Mapping and rock chip sampling of key localities including historic shafts and costeans;
- 100m spaced soil sampling to refine drill targeting and structural interpretation; and
- Commencement of a 34 hole RC reconnaissance drill program.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

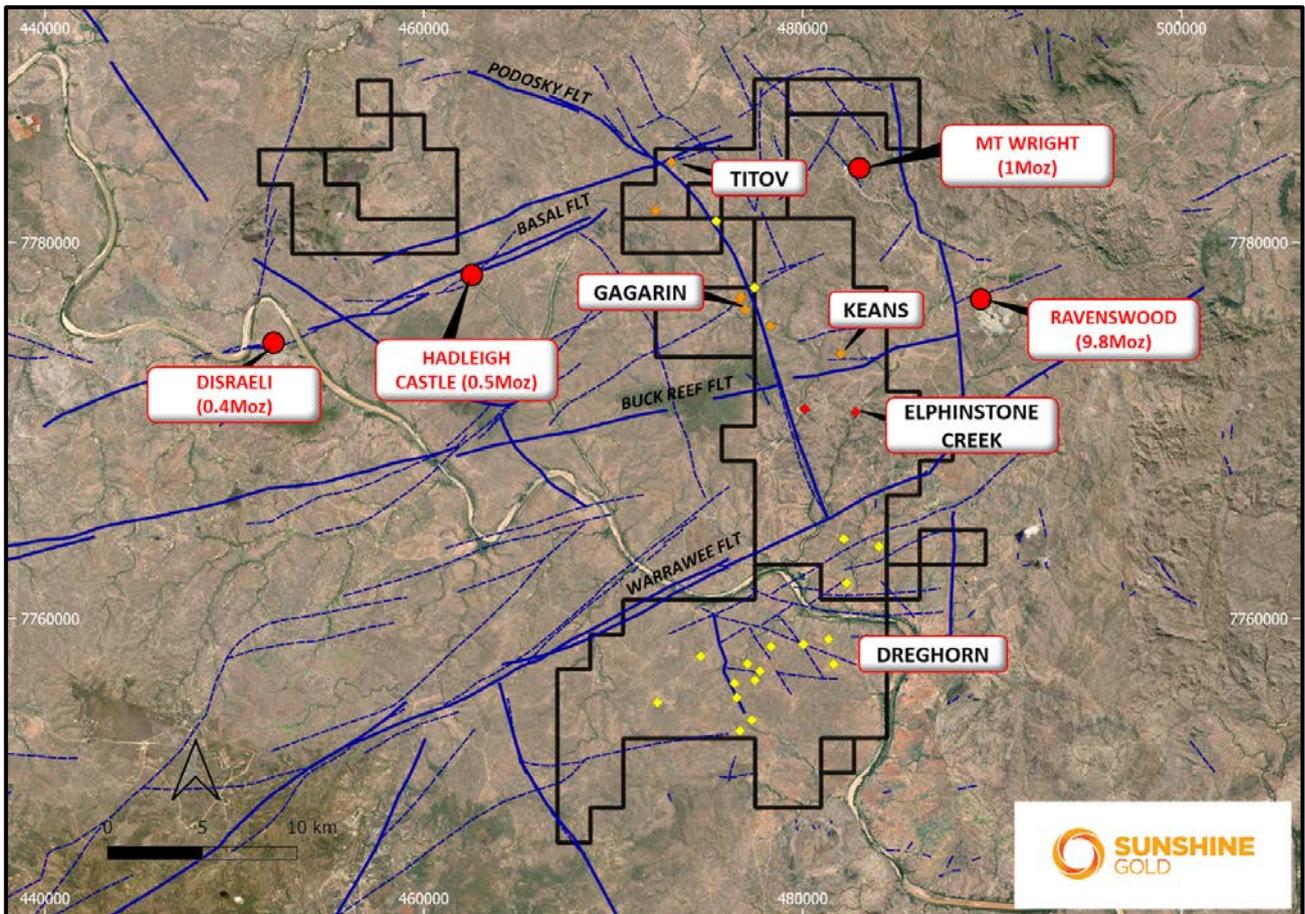


Figure 2. Prospects of the Ravenswood West Project.

Soil sampling and mapping in the Dreghorn Prospect commenced 29 April 2021. The historic Dreghorn gold field contains numerous historical workings and gold soil anomalism of >50 ppb Au over a >9 km strike length. A detailed soil sampling and field mapping program was designed to infill broad spaced data in the western portion of Dreghorn. The field program is extending the historic soil survey from the Rejoice target to the west to encompass the Albion and Queenslander targets. Soil samples were collected on a regular 100m x 100m grid and assayed for a comprehensive multi-element suite (63 elements) to enable detailed alteration and lithological mapping. Preliminary analysis shows a strong relationship between gold and lead and a moderate relationship between gold and zinc. Elevated arsenic and tungsten map the major faulting within the prospect.

Initial targets for follow up field validation were generated from the strongest gold pathfinders being anomalous lead and zinc.

A total of 288 soil samples were also taken over the Eastern Dreghorn prospect. The area sits 500m south of the historic Trieste goldfield, which was the site of the first gold discovery in the Ravenswood area. Several historic workings are located in the soil grid including Hanoverian, Tingleary and Molly Bawn workings.

A coherent >50 ppb gold anomaly striking for >700m in a northeast-southwest orientation is present to the west of Hanoverian. This anomaly is likely structurally controlled and is along strike from the Kirkers mine. Historical rock chip sampling at Kirkers reported >800m strike length of samples exceeding 1 g/t Au.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

No drilling has been conducted within the sampled area or at the Kirkers workings.

RC drilling commenced at the Dreghorn Prospect on 30 June 2021. Three dominant fault orientations were identified from magnetic interpretation and soil geochemistry in the target area. The drill program aimed to determine which fault orientations were most likely to host mineralisation. The program was also designed to test extensions to historically mined gold at Albion, Rejoice and Queenslander (Figure 3). One hole (112m) was completed for the reporting period.

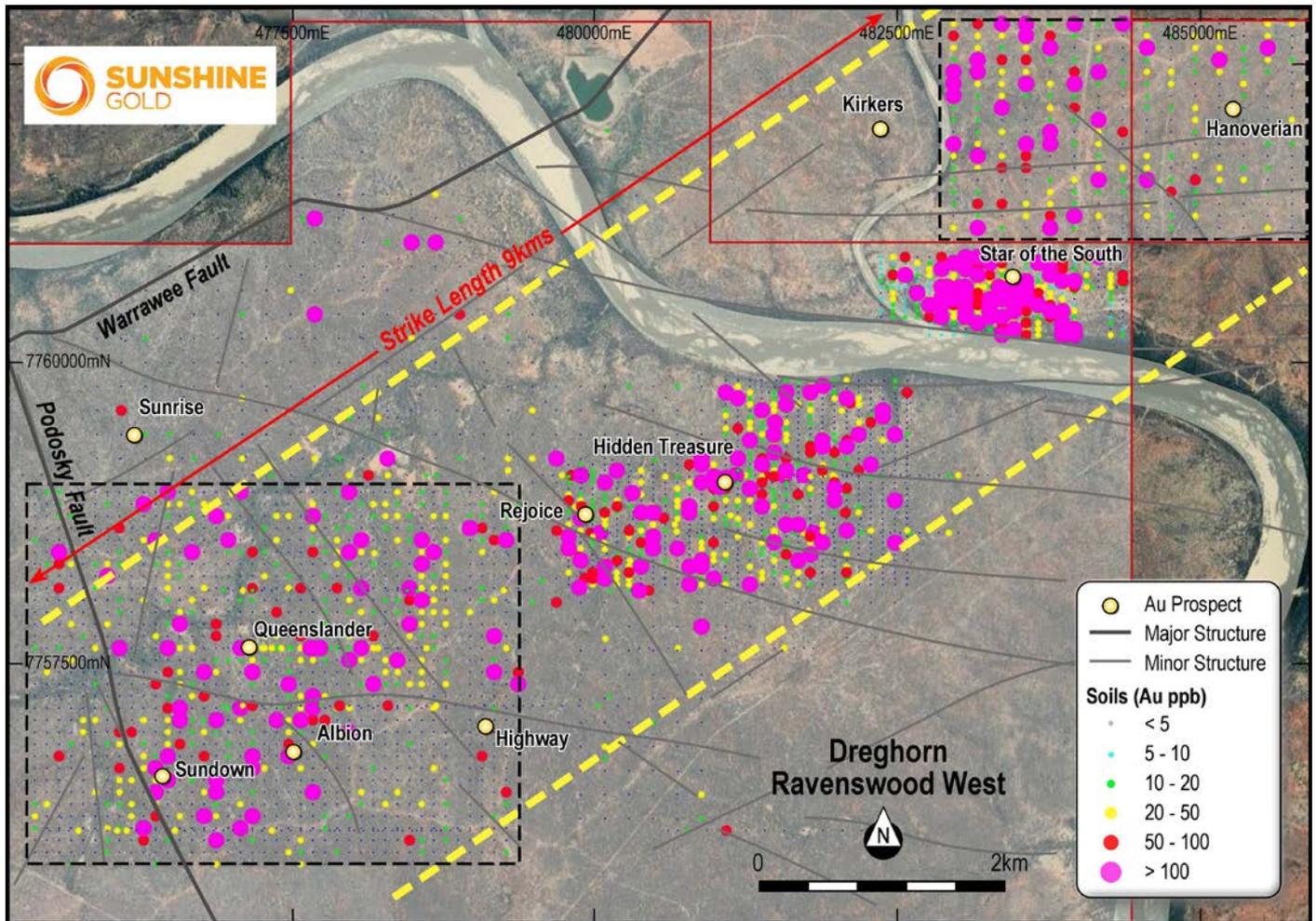


Figure 3. Anomalous soils over a 9km strike length at Dreghorn. Dreghorn West (left) and Dreghorn East (right).

EXPLORATION PROGRAMS - HODGKINSON

An airborne magnetic and radiometric survey was completed over Hodgkinson on 16 November 2020. The survey improved resolution from 400m line spaced data to 100m data over the entire project.

Soil sampling and mapping campaign at Campbell Creek commenced 29 April 2021. The 334-sample soil geochemistry program over Campbell Creek was designed to identify potential sources of alluvial gold that has been historically worked in the area. The sample grid was 2.5km wide x 4.6km long with 200m sample centres closing to 100m within the main area of interest. Lines were spaced 200m.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

Assay results from the program have identified three discrete coherent anomalies (Figure 4) being Red Ridge North, Red Ridge South and West Point. The largest anomaly (Red Ridge North) extends north-south for 500m. Soil sampling at Red Ridge North was partially infilled to 100m x 100m spacing. The anomaly has a broad core of >20ppb Au and a high spot anomaly of 243ppb Au (or 0.24g/t Au). Subsequent check mapping of Red Ridge South identified a high quartz content in the area. Mapping also confirmed that the soil anomaly is coincident with a quartz-bearing ridge which is predominantly composed of psammite (micaceous, metamorphosed sandstone) which strikes north-northwest. The psammite grades locally to quartzite. Quartz float is abundant on the ridge and trends in the general direction of bedding and could represent an increased density of veining.

The ridge and the psammite dominant zone are interpreted to continue to the south where they coincide with another 300m long soil anomaly, Red Ridge South. A series of "gold in stone" and "reef" occurrences have been documented (2007 Annual Tenement Report EPM 11945; CR50773, 2007) between the two soil anomalous zones. The length of the gold anomalous zone is 3km.

Encouragingly, alluvial gold workings are also present in the creeks to the west and east of the Red Ridge North and South anomalies. The alluvials have been worked sporadically for >40 years.

The third anomaly, West Point, consists of two zones, separated by the Campbell Creek in an area known as Red Workings (alluvial). Twelve rock chip samples were also taken during a follow up mapping program and are currently pending assay. Samples were collected from several sources including quartz veins, quartzite and psammite. There has been no historical drilling at West Point.

OPERATING AND FINANCIAL REVIEW

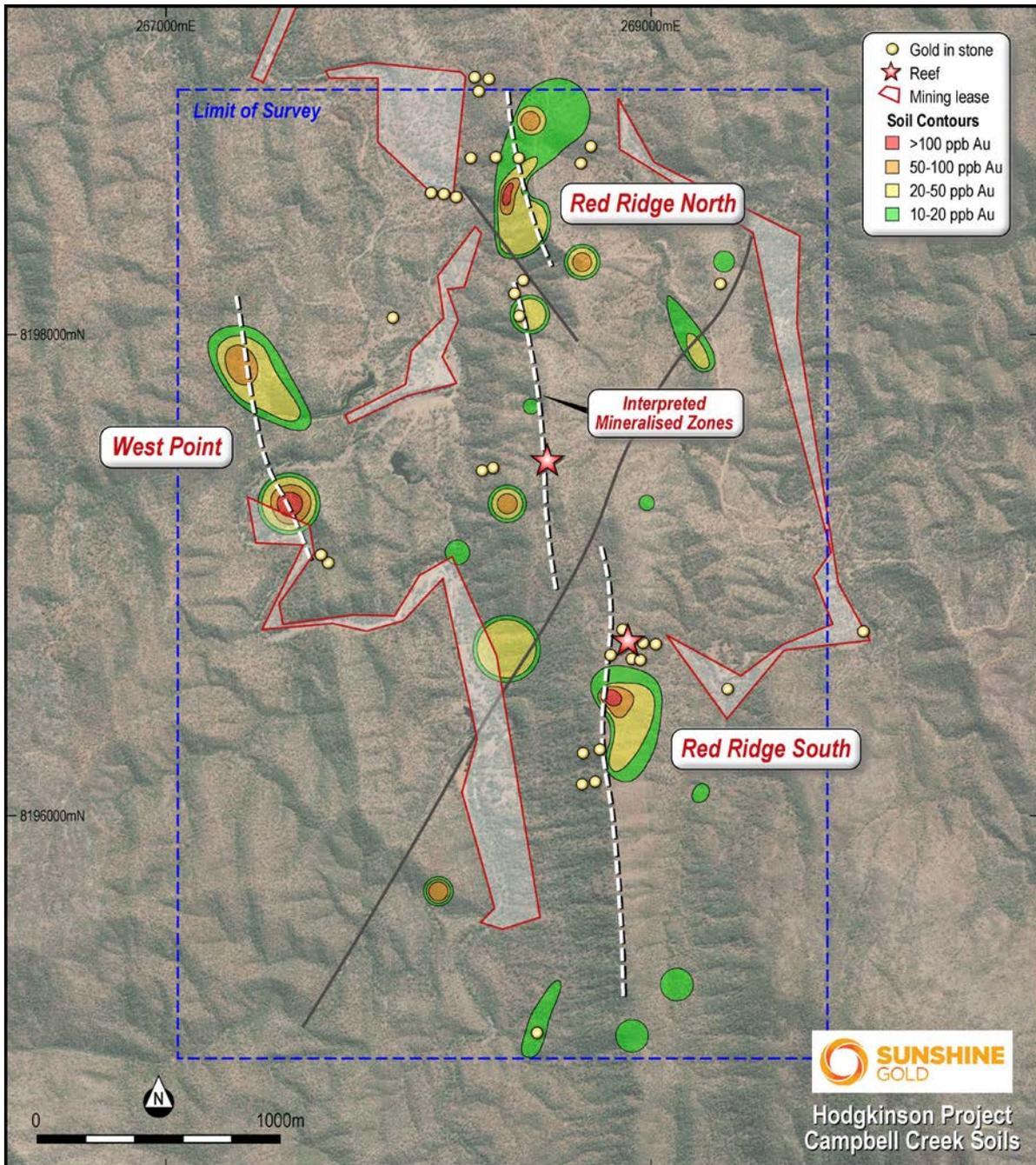


Figure 4. Soil anomalism and documented gold occurrences at Campbell Creek, Hodgkinson Project.

EXPLORATION PROGRAMS – INVESTIGATOR

Exploration has been confined to desktop reviews. Field mapping and rock chip sampling is scheduled for November 2021.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

WESTERN AUSTRALIA

COCKATOO IRON NL

Sunshine holds 5,000,000 fully paid ordinary shares in Cockatoo Iron NL ("Cockatoo Iron") as a consequence of the sale of its interests in the Cockatoo Island Project.

Sunshine Gold and Cockatoo Iron further executed a Revenue Sharing Agreement ("RSA"), whereby Sunshine was entitled to receive up to a maximum of \$500,000 per annum of gross revenue received by Cockatoo Iron and its subsidiary Pearl Gull Iron Pty Ltd ("Pearl") from certain non-mining activities that may be conducted by third parties within mining lease 04/235-I and miscellaneous licence applications 04/102 and 04/103. Cockatoo Iron had the right of pre-emption in respect of a sale by Sunshine of its rights under the RSA. During the year, Sunshine executed a Deed of Settlement and Termination with Cockatoo Iron and Pearl, terminating the RSA between the parties in exchange for a cash payment of \$225,000 which was received on 19 January 2021.

On 22 July 2021, Pearl Gull Iron Limited ("Pearl Gull") lodged its prospectus with ASIC for an IPO on the ASX and commenced trading on 20 September 2021. Cockatoo Iron has a 43.24% interest in Pearl Gull.

CORPORATE

At the Company's Annual General Meeting held 26 October 2020, shareholders approved all resolutions relating to the acquisition of XXXX Gold Pty Ltd ("XXXX Gold") which satisfied the requirements of Listing Rule 12.1.

During the December 2020 quarter, completion of an underwritten Entitlement Offer and Broker Offer ("Offers") occurred under which the Company successfully raised \$2,026,845 (before costs). On 24 November 2020 the Company issued the following securities pursuant to the Offers and acquisition of XXXX Gold:

- Entitlement Offer – 63,842,244 Shares
- Broker Offer – 37,500,000 Shares
- XXXX Gold Vendor Share Consideration – 88,000,000 Shares *
- XXXX Gold Vendor Share Deferred Consideration T1 – 50,000,000 Shares *
- XXXX Gold Vendor Share Deferred Consideration T2 – 50,000,000 Shares *
- XXXX Gold Vendor Option Consideration – 40,000,000 Options *
- Underwriter Option Issue – 10,000,000 Options *
- Board and Consultant Option Issue – 21,000,000 Options *
- Incentives – 17,000,000 Performance Rights *

* Securities subject to 24 month escrow from readmission to official quotation.

Sunshine's securities re-commenced trading on the ASX on 11 December 2020.

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 owns the Ravenswood West Gold-Copper-Rare Earths project.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

SCHEDULE OF TENEMENT INTEREST AS AT 30 JUNE 2021

Project	Tenement	Status	Beneficial Interest
TRIUMPH	EPM 18486	GRANTED	100%
TRIUMPH	EPM 19343	GRANTED	100%
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%
RAVENSWOOD WEST	EPM 26041	GRANTED	100%
RAVENSWOOD WEST	EPM 26152	GRANTED	100%
RAVENSWOOD WEST	EPM 26303	GRANTED	100%
RAVENSWOOD WEST	EPM 26304	GRANTED	100%
RAVENSWOOD WEST	EPM 27824	APPLICATION	100%
RAVENSWOOD WEST	EPM 27825	APPLICAITON	100%

BUSINESS DEVELOPMENT

The directors believe the Company's existing cash reserves will provide sufficient working capital to carry out its objective of assessing the open-pit potential of the Queensland projects whilst testing for large-scale mineralisation. The Company will maintain an ongoing program of assessing projects that meet its acquisition strategy.

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 2021.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

EVENTS SUBSEQUENT TO REPORTING DATE

On 20 September 2021, the Company announced that it had secured commitments for a placement of 104,111,112 shares at an issue price of \$0.045 to raise \$4,685,000 million (before costs) to institutional and sophisticated investors ("Placement"). In addition, subject to shareholder approval, the directors will also subscribe for 7,000,000 shares at an issue price of \$0.045 to raise an additional \$315,000.

The Placement was completed, and new shares issued to institutional and sophisticated investors on 27 September 2021.

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.

SHARE OPTIONS

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

Security Description	Number of Securities
Fully paid shares	548,822,730

Unissued shares

As at the date of this report, there were 72,000,000 unissued ordinary shares under options (30 June 2020: 35,000,000), 17,000,000 performance shares and 100,000,000 deferred shares subject to performance hurdles.

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 no ordinary shares issued as a result of the exercise of options (2020: 46,667,600).

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group will continue to focus on its search for further opportunities. 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 project interests, and the nature of any new acquisitions going forward.

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' interests in shares of Sunshine Gold Limited were:

	Number of Ordinary Shares
Alec Pismiris	14,062,500
Damien Keys	22,000,000
Paul Chapman	22,555,000
Leslie Davis	22,400,000
Antonio Torresan	60,477,131

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behavior and accountability, the directors of Sunshine Gold Limited 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)

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 61.

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.

The aggregate amount of fees paid or payable to HLB Mann Judd during the year ended 30 June 2021 are as follows:

	\$
Tax due diligence	5,000
Independent Limited Assurance Report	20,000
	<hr/>
	25,000
	<hr/>

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 of Sunshine Gold Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and 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 as follows.

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 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 operations.

Remuneration and other terms of employment for the executive director and certain other senior executives have been formalised in service agreements as follows:

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: \$220,000 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)

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 the highest calibre of executives and reward 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 2020 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 2021.

	2021	2020	2019	2018	2017
Loss after income tax attributable to shareholders (\$)	(1,064,797)	21,556	(1,913,882)	3,221,041	(455,250)
Share price at year end (\$)	0.0550	0.0258	0.0258	0.0303	0.0136
Total dividends declared (cents per share)	-	-	-	-	-
Returns of capital (cents per share)	-	-	-	-	-
Basic earnings/(loss) per share (cents)	(0.29)	0.01	(0.53)	0.89	(0.12)

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 of Sunshine Gold Limited 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					
2021	62,000¹	-	112,000	174,000	64
2020	60,000 ¹	-	-	60,000	-
D Keys – Managing Director					
2021	128,333	12,192	-	140,525	-
P Chapman – Non-Executive Director					
2021	19,756	1,877	-	21,633	-
L Davis – Non-Executive Director					
2021	19,756	1,877	-	21,633	-
A Torresan – Non-Executive Director					
2021	81,742²	-	112,000	193,742	58
2020	102,000	-	-	102,000	-
C Chenu - Non-Executive Director					
2021	10,000³	-	28,000	38,000	74
2020	30,000	-	-	30,000	-
Total Remuneration:					
2021	321,587	15,946	252,000	589,533	43
2020	192,000	-	-	192,000	-

Notes:

(1) Includes \$31,000 (FY2020: \$30,000) 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 16.

Remuneration Options and Performance Rights

During the year ended 30 June 2021, 18,000,000 options were issued as part of director remuneration (30 June 2020: Nil). Refer to Note 25 for details of Director options.

During the year ended 30 June 2021, 17,000,000 performance rights were issued as part of director remuneration (30 June 2020: Nil). No value has been ascribed to these rights as the achievement of the hurdles cannot be assessed with any certainty at the time of issue. Refer to Note 13(d) for details of performance rights.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Shareholdings by Directors

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

2020	Balance 01/07/19 (No. of Shares)	Received Remuneration (No. of Shares)	No. of Options Exercised	Net Other Change (No. of Shares)	Balance 30/06/20 (No. of Shares)
A Torresan	59,193,981	-	18,235,896 ⁽¹⁾	-	77,429,877
C Chenu	-	-	-	-	-
A Pismiris	12,000,000	-	6,000,000 ⁽²⁾	-	18,000,000
Total	71,193,981	-	24,235,896	-	95,429,877

⁽¹⁾ On 30/06/19, A Torresan exercised 18,235,896 options exercisable at \$0.01 into fully paid ordinary shares that were issued on 2/7/19. Total holding post exercised is 77,429,877 ordinary shares.

⁽²⁾ On 30/06/19, A Pismiris exercised 6,000,000 options exercisable at \$0.01 into fully paid ordinary shares that were issued on 2/7/19. Total holding post exercised is 18,000,000 ordinary shares.

Options Holdings by Directors

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

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Options Holdings by Directors (continued)

2020	Balance 01/07/19 (No. Options)	Granted as Remuneration (No. Options)	No. of Options Acquired	No. of Options Exercised	Net Change Other (No. Options)	Balance 30/06/20 (No. Options)
A Torresan	10,500,000	-	-	-	(10,500,000)	-
C Chenu	2,000,000	-	-	-	(2,000,000)	-
A Pismiris	7,500,000	-	-	-	(7,500,000)	-
Total	20,000,000	-	-	-	(20,000,000)⁽¹⁾	-

⁽¹⁾ These options expired on 31/12/19.

Performance Rights Holdings by Directors

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 27th day of September 2021



Alec Pismiris
Director

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021**

	Note	Consolidated	
		2021 \$	2020 \$
Other income	2	241,295	601,317
Corporate expenses	3	(998,092)	(565,641)
Exploration expenditure written-off		-	(14,120)
Share based payments	25	(308,000)	-
Profit/(Loss) before income tax		(1,064,797)	21,556
Income tax benefit	4	-	-
Profit/(Loss) for the year		(1,064,797)	21,556
Other comprehensive income/(loss)			
Item that may subsequently be reclassified to profit or loss:			
Currency translation differences		-	(88,250)
Other comprehensive income/(loss) for the year		-	(88,250)
Total comprehensive loss for the year		(1,064,797)	(66,694)
Basic earning/(loss) per share (cents per share)	19	(0.29)	0.01
Diluted earning/(loss) loss per share (cents per share)	19	(0.29)	0.01

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 2021**

		Consolidated	
		2021	2020
	Note	\$	\$
Current Assets			
Cash and cash equivalents	5	2,192,165	2,094,411
Term deposit		-	1,200,000
Security deposits		144,000	114,000
Trade and other receivables	6	91,711	12,897
Prepayments		43,378	18,288
Total Current Assets		2,471,254	3,439,596
Non-Current Assets			
Exploration and evaluation expenditure	7	4,513,541	-
Plant and equipment	8	39,011	-
Other financial assets	9	200,000	200,000
Total Non-Current Assets		4,752,552	200,000
Total Assets		7,223,806	3,639,596
Current Liabilities			
Trade and other payables	10	156,722	74,186
Interest-bearing liabilities	11	19,158	-
Employee leave liabilities	12	18,315	-
Total Current Liabilities		194,195	74,186
Non-Current Liabilities			
Interest-bearing liabilities	11	8,301	-
Total Non-Current Liabilities		8,301	-
Total Liabilities		202,496	74,186
Net Assets		7,021,310	3,565,410
Equity			
Issued capital	13	17,609,493	14,096,796
Reserves	14	2,945,083	1,937,083
Accumulated losses		(13,533,266)	(12,468,469)
Total Equity		7,021,310	3,565,410

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 2021

	Issued Capital	Options Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Non- Controlling Interest	Total Equity
<u>Consolidated</u>	\$	\$	\$	\$	\$	\$
Balance at 01/07/2019	14,096,796	1,937,083	88,250	(12,490,025)	(834,072)	2,798,032
Total comprehensive income for the year						
Profit for the year	-	-	-	21,556	-	21,556
Other comprehensive income						
<i>Items that will not be reclassified subsequently to profit or loss</i>						
Exchange differences on disposal of subsidiary	-	-	(88,250)	-	-	(88,250)
Total comprehensive income / (loss) for the year	-	-	(88,250)	21,556	-	(66,694)
Transactions with owners recorded directly into equity						
Disposal of subsidiary	-	-	-	-	834,072	834,072
Balance at 30/06/2020	14,096,796	1,937,083	-	(12,468,469)	-	3,565,410
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

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 2021**

	Note	Consolidated	
		2021	2020
		\$	\$
Cash Flows from Operating Activities			
Payments to suppliers and employees		(1,142,907)	(728,240)
Interest received		21,387	47,244
Net Cash Used in Operating Activities	15(b)	(1,121,520)	(680,996)
Cash Flows from Investing Activities			
Payments for exploration expenditure		(1,567,719)	(14,120)
Cash brought to account on acquisition of XXXX Gold	27	53,155	-
Payments for acquisition of subsidiary	28	(400,000)	-
Proceeds from termination of revenue sharing agreement		225,000	-
Proceeds from sale of project		-	2,230,000
Transaction costs relating to sale		-	(274,000)
Transfers from/(to) term deposits		1,200,000	(1,200,000)
Net Cash Provided by/(Used in) Investing Activities		(489,564)	741,880
Cash Flows from Financing Activities			
Gross proceeds from share issues		2,026,845	-
Costs of share issues		(129,231)	-
Repayment of borrowings		(188,776)	-
Net Cash Provided by Financing Activities		1,708,838	-
Net increase in cash and cash equivalents held		97,754	60,884
Cash and cash equivalents at the beginning of the financial year		2,094,411	2,033,527
Cash and cash equivalents at the end of the financial year	15(a)	2,192,165	2,094,411

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 2021

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 2021 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 27th September 2021.

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 2020 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 2021

In the year ended 30 June 2021, 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 2021

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 18.

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 2021

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 2021

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 2021

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 2021

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 2021

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 2021

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

(k) Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting where significant influence is exercised over an investee. Significant influence exists where the investor has the power to participate in the financial and operating policy decisions of the investees but does not have control or joint control over those policies. The equity method of accounting recognises the Group's share of post-acquisition reserves of its associates.

(l) 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 18) is the Philippine PESO.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

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

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

(m) 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.

(n) 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).

(o) 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.

(p) 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.

(q) 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 2021

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

(r) 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 2021. 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.

(s) Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 4 - Income Tax

Note 7 - Exploration and Evaluation Expenditure

Note 22 - Risk Management Objectives and Policies

Note 25 - Share Based Payments

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

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

NOTE 2: OTHER INCOME

	Consolidated	
	2021	2020
	\$	\$
Interest earned	16,295	47,244
Consideration for termination of revenue sharing agreement	225,000	-
Gain on sale of SNPDC	-	554,073
Total	241,295	601,317

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

Consulting and directors fees	273,890	256,942
Share register maintenance and listing fees	110,655	38,916
Legal fees	298,643	127,709

NOTE 4: INCOME TAX

The prima facie tax on profit/(loss) before income tax is reconciled to the income tax as follows:

	Consolidated	
	2021	2020
	\$	\$
Profit/(Loss) before income tax	(1,064,797)	21,556
Income tax calculated at 30% (2020: 30%)	(319,439)	6,467
Add back:		
Provisions	(3,505)	(7,565)
Capital raising costs	(8,049)	(239)
Foreign losses movement	-	(25,408)
Future income tax (charge)/benefits not brought to account	330,993	26,745
Income tax expense/(benefit)	-	-
Deferred tax assets:		
Capital raising costs	219,318	239
Provisions	11,345	7,383
Carried forward tax losses (including foreign tax losses)	1,822,714	1,521,822
	2,053,378	1,529,444
Deferred tax liabilities:		
Capitalised exploration costs	1,354,062	-
Accrued income	-	1,756
	1,354,062	1,756

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

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

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

2021	2020
\$	\$

NOTE 5: CASH AND CASH EQUIVALENTS

Cash at bank	2,192,165	2,094,411
	<hr/>	<hr/>
	2,192,165	2,094,411
	<hr/>	<hr/>

NOTE 6: TRADE AND OTHER RECEIVABLES

Current

Goods and services tax	90,170	7,045
Other	1,541	5,852
	<hr/>	<hr/>
	91,711	12,897
	<hr/>	<hr/>

NOTE 7: EXPLORATION AND EVALUATION EXPENDITURE

Balance at the beginning of the period	-	-
Acquisition of XXXX Gold Pty Ltd (note 27)	2,482,688	-
Acquisition of Ukalunda Pty Ltd (note 28)	399,998	-
Expenditure incurred during the period	1,630,855	-
Balance at the end of the period	<hr/> 4,513,541	<hr/> -

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 2021

	<u>Consolidated</u>	<u>Consolidated</u>
	2021	2020
	\$	\$
NOTE 8: PLANT AND EQUIPMENT		
At cost	47,549	-
Accumulated depreciation	(8,538)	-
	39,011	-
Movement:		
Balance at the beginning of the period	-	-
Acquisition of XXXX Gold Pty Ltd (note 27)	47,633	-
Additions/(Disposals)	(84)	-
Depreciation expense	(8,538)	-
Balance at the end of the period	39,011	-
NOTE 9: OTHER FINANCIAL ASSETS		
Non-Current		
Unlisted investments at fair value:		
Shares in other entities ⁽ⁱ⁾ (fair value through profit or loss)	200,000	200,000
	200,000	200,000
(i) As at 30 June 2021, the Group held 5,000,000 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	155,443	72,907
Advances/loans – other parties	1,279	1,279
	156,722	74,186
NOTE 11: INTEREST BEARING LIABILITIES		
Lease Liabilities		
Current	19,158	-
Non-Current	8,301	-
	27,459	-
NOTE 12: EMPLOYEE LEAVE LIABILITIES		
Annual leave entitlements	18,315	-
	18,315	-

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

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

	Consolidated	
	2021	2020
	\$	\$
NOTE 13: ISSUED CAPITAL		
(a) Issued Capital		
444,711,618 Ordinary shares fully paid (2020: 408,591,140)	17,609,493	14,096,796

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

Date	Details	No. of Shares	\$
01/07/2019	Opening balance	361,923,540	14,096,796
02/07/2019	Exercise of options	46,667,600	-
30/06/2020	Closing balance	408,591,140	14,096,796
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	444,711,618	17,609,493

(c) Deferred Shares

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

- (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) 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.

(d) Performance Rights

During the 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.

No value has been ascribed to the rights as the achievement of the above hurdles cannot be assessed with any certainty at the date they were issued or at balance date.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

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

NOTE 13: ISSUED CAPITAL (continued)

(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 2020 and no dividends will be paid in 2021.

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.

NOTE 14: RESERVES

	Consolidated	
	2021	2020
	\$	\$
(a) Composition		
Options reserve	2,945,083	1,937,083
	2,945,083	1,937,083

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

Date	Details	No. of Unlisted Options	Exercise Price	Expiry Date
01/07/2019	Opening balance	35,000,000		
31/12/2019	Expired	(35,000,000)	\$0.02	31/12/2019
30/06/2020	Closing balance	-		
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	71,000,000		

Refer to Note 25 for details of options issued during the year ended 30 June 2021.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

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

NOTE 14: RESERVES (continued)

(c) Nature and Purpose of Reserves

Options reserve

The options reserve is the value of equity benefits provided to directors, employees and consultants by the Group as part of their remuneration.

NOTE 15: NOTES TO THE STATEMENT OF CASH FLOWS	Consolidated	
	2021	2020
	\$	\$
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)	2,192,165	2,094,411
b) Reconciliation of net cash and cash equivalents used in operating activities to profit/(loss) for the year:		
Profit/(Loss) for the year	(1,064,797)	21,556
Depreciation expense	8,538	-
Exploration and evaluation expenditure written off / impaired	-	14,120
Gain on sale of SNPDC	-	(554,073)
Gain on termination of revenue sharing agreement	(225,000)	-
Share based payment expense	308,000	-
Movements in assets and liabilities:		
(Increase)/Decrease in trade and other receivables	(78,814)	(1,045)
(Increase)/Decrease in other assets	(25,010)	7,510
Increase/(Decrease) in trade and other payables	(44,437)	(169,064)
Net cash used in operating activities	(1,121,520)	(680,996)

c) Non-cash investing and financing activities

The Company issued shares and options for the acquisition of XXXX Gold Pty Ltd during the year ended 30 June 2021. Refer note 27. There were no non-cash investing and financing activities during the year ended 30 June 2020.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

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

NOTE 15: NOTES TO THE STATEMENT OF CASH FLOWS (continued)	Consolidated	
	2021	2020
	\$	\$
d) Changes in liabilities arising from financing activities		
Opening balance	-	-
Loans and borrowings acquired	216,235	-
Repayment of borrowings	(188,776)	-
Closing balance	27,459	-

NOTE 16: 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

Compensation by category:

Short-term	321,587	192,000
Post employment	15,946	-
Termination benefit	-	-
Share based payment	252,000	-
	589,533	192,000

(b) Transactions with Key Management Personnel

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.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

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

NOTE 16: KEY MANAGEMENT PERSONNEL (continued)

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).
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The loans were repaid on 19 January 2021.

NOTE 17: REMUNERATION OF AUDITORS	Consolidated	
	2021	2020
	\$	\$
Audit services – HLB Mann Judd	37,598	24,353
– Overseas auditors (non HLB affiliates)	4,278	2,739
	41,876	27,092
Non-audit services – HLB Mann Judd	25,000	-

NOTE 18: 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	
		2021	2020
		%	%
XXXX Gold Pty Ltd	AUS	100	-
Ukalunda Pty Ltd	AUS	100	-
Sunrise Exploration Pty Ltd	AUS	100	100
Sunshine Gold 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 2021

NOTE 19: EARNINGS/(LOSS) PER SHARE

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

	Consolidated	
	2021	2020
	\$	\$
Profit/(Loss) used in calculating basic and diluted earnings/(loss) per share	(1,064,797)	21,556
	Number of	Number of
	Shares	Shares
Weighted average number of ordinary shares used in calculating:		
Basic earnings/(loss) per share	411,987,597	255,369,462
Diluted earnings/(loss) per share	411,987,597	255,369,462

NOTE 20: COMMITMENTS FOR EXPENDITURE

	2021	2020
	\$	\$
Minimum exploration expenditure:		
- Not later than 1 year	250,000	-
- Between 1 year and 5 years	3,069,500	-
Finance Lease repayments:		
- Not later than 1 year	20,415	-
- Between 1 year and 5 years	8,506	-

NOTE 21: 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 2021

NOTE 22: 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 10 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 or liabilities held by the Group (2020: nil).

	Non Interest Bearing \$		Weighted Average Effective Interest Rate %		Floating Interest Rate \$		Total \$	
	2021	2020	2021	2020	2021	2020	2021	2020
Financial Assets								
- Cash and cash equivalents	492,165	154,411	0.60	1.50	1,700,000	1,940,000	2,192,165	2,094,411
- Deposits held	-	-	-	1.50	144,000	1,314,000	144,000	1,314,000
- Other receivables	1,541	5,852	-	-	-	-	1,541	5,852
- Unlisted investments	200,000	200,000	-	-	-	-	200,000	200,000
Total Financial Assets	<u>693,706</u>	<u>360,263</u>			<u>1,844,000</u>	<u>3,254,000</u>	<u>2,537,706</u>	<u>3,614,263</u>
Financial Liabilities								
- Trade creditors	155,443	72,907	-	-	-	-	155,443	72,907
- Loan – other parties	1,279	1,279	-	-	27,459	-	28,738	1,279
Total Financial Liabilities	<u>156,722</u>	<u>74,186</u>			<u>27,459</u>	<u>-</u>	<u>184,181</u>	<u>74,186</u>
Net Financial Assets / (Liabilities)	<u>536,984</u>	<u>286,077</u>			<u>1,816,541</u>	<u>3,254,000</u>	<u>2,353,525</u>	<u>3,540,077</u>

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

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

NOTE 22: RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest Rate Sensitivity

At 30 June 2021, 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 \$1,630 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 2021 from around 0.3% to 0.27% (10% increase: 0.33%) representing an 3 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 down than up 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.

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	
	2021 \$	2020 \$
Contracted maturities of liabilities at 30 June		
Payables		
- less than 30 days	156,722	72,907
- less than 12 months	-	-
Loans other parties		
- less than 12 months	19,158	1,279
- greater than 12 months	8,301	-
	<hr/>	<hr/>
	184,181	74,186

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

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

NOTE 22: RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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 2021, 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.

Financial Instruments

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

30 June 2021	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Equity investments at FVTPL	-	-	200,000	200,000
<hr/>				
30 June 2020	Level 1	Level 2	Level 3	Total
<i>Asset</i>	\$	\$	\$	\$
Equity investments at FVTPL	-	-	200,000	200,000
<hr/>				
<i>Financial liabilities</i>				
	Interest rate	Maturity	30 June 2021	30 June 2020
	%		\$	\$
Finance lease	6.99	6/11/2022	27,459	-
			27,459	-

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

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

NOTE 22: RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Financial Instruments *(continued)*

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 23: EVENTS SUBSEQUENT TO REPORTING PERIOD

On 20 September 2021, the Company announced that it had secured commitments for a placement of 104,111,112 shares at an issue price of \$0.045 to raise \$4,685,000 million (before costs) to institutional and sophisticated investors ("Placement"). In addition, subject to shareholder approval, the directors will also subscribe for 7,000,000 shares at an issue price of \$0.045 to raise an additional \$315,000.

The Placement was completed, and new shares issued to institutional and sophisticated investors on 27 September 2021.

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 24: CONTINGENT LIABILITIES

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.

A 1% net smelter royalty is payable as part of total consideration on the acquisition of Ukalunda Pty Ltd (refer to Note 28). The exploration activities of the Company are not yet at a stage to determine if the royalty will be paid.

Other than as stated above, Sunshine Gold Limited 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 2021

NOTE 25: SHARE BASED PAYMENTS

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

- 21,000,000 \$0.03 share options expiring 30/09/2025 were issued to board, management and consultants. These options were valued at \$294,000 and were fully expensed.
- 10,000,000 \$0.03 underwriter options expiring 30/09/2025 with a total value of \$140,000 were recognised during the year as a capital raising cost and issued in December 2020.
- 40,000,000 consideration options, which form part of the acquisition costs (note 27).
- 1,000,000 \$0.03 employee options expiring 02/11/2025 with a total value of \$14,000 were recognised during the year as an employment expense.

All share options issued during the year vested immediately. The total amount of \$308,000 (2020: \$nil) was recognised as a share based payment expense, \$140,000 (2020: \$Nil) was recognised as a capital raising cost and \$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 issued during the period were:

Measurement date	09/12/2020	31/12/2020
Issue date	09/12/2020	04/01/2021
Expiry date	30/09/2025	02/11/2025
Dividend yield	-	-
Expected volatility	100%	100%
Risk-free interest rate	0.44%	0.44%
Expected life of options (years)	5.10	5.10
Underlying share price	\$0.02	\$0.02
Option exercise price	\$0.03	\$0.03
Value of option	\$0.014	\$0.014
Number of options issued	71,000,000	1,000,000
Value of options	\$994,000	\$14,000
Amount expensed during year	\$294,000	\$14,000
Capital raising cost recognised during year	\$140,000	-
XXXX Gold vendor options	\$560,000	-

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

	Weighted average exercise price 2021	Number of Options 2021	Weighted average exercise price 2020	Number of Options 2020
Outstanding at 1 July	-	-	\$0.02	35,000,000
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	\$0.02	(35,000,000)
Granted during the year	\$0.03	72,000,000	-	-
Outstanding at 30 June	\$0.03	72,000,000	-	-
Exercisable at 30 June	\$0.03	72,000,000	-	-

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

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

NOTE 26: 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

	2021	2020
	\$	\$
Current Assets	2,350,884	3,439,451
Total Assets	8,128,903	4,589,452
Current Liabilities	21,010	72,908
Total Liabilities	21,010	72,908
Equity		
Issued capital	17,609,492	14,096,796
Reserves	2,945,083	1,937,083
Accumulated losses	(12,446,682)	(11,517,334)
Total Equity	<u>8,107,893</u>	<u>4,516,545</u>

(b) Financial Performance

Profit/(Loss) for the year	(929,347)	1,403,071
Other comprehensive income	-	-
Total Comprehensive Profit/(Loss)	<u>(929,347)</u>	<u>1,403,071</u>

(c) Guarantees

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

(d) Contingent liabilities

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 Department of Mines, Industry, Regulation and Safety has not currently insisted on rehabilitating the site as there is the potential for future operations.

A 1% net smelter royalty is payable as part of total consideration on the acquisition of Ukalunda Pty Ltd (refer to Note 28). The exploration activities of the Company are not yet at a stage to determine if the royalty will be paid.

Other than as stated above, 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 2021

NOTE 27: 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 was 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.

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

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

NOTE 28: 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 Stavelly Minerals Ltd. Ukalunda owns the Ravenswood West Gold-Copper-Rare Earths 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	-
	<hr/> 404,500
 <i>Fair value of net identifiable assets acquired:</i>	
Cash and cash equivalents	2
Security deposits	4,500
Exploration and evaluation expenditure	399,998
	<hr/> 404,500

⁽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 2021 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 2021.

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



Alec Pismiris
Director

Dated this 27th day of September 2021

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 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial 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 2021 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.

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Key Audit Matter	How our audit addressed the key audit matter
<p>Exploration and evaluation expenditure Note 7 to the financial report</p> <p>In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, the Group capitalises exploration and evaluation expenditure.</p> <p>Our audit focussed on the Group’s assessment of the recognition of the capitalised exploration and evaluation expenditure asset, due to this asset being the most significant asset of the Group.</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> - We selected a sample of additions to capitalised exploration and assessed the recognition in line with the requirements of AASB 6; - We reviewed management’s assessment of indicators of impairment in relation to its capitalised exploration expenditure under AASB 6 and AASB 136; - We considered the classification of exploration expenditure in line with the current accounting policy; and; - We verified rights to tenure over individual tenements.
<p>Acquisition accounting Refer to Notes 27 and 28</p> <p>During the year the Group acquired 100% of the shares of XXXX Gold Pty Ltd and Ukalunda Pty Ltd. While neither of the acquired entities meet the definition of a business, the acquisitions were accounted for using the principles of AASB 3 Business combinations and AASB 2 Share-Based Payments.</p> <p>Accounting for such transactions is a complex and judgemental exercise, requiring management to determine the fair value of the consideration and the net assets acquired under business combination principles.</p> <p>The excess of consideration over net assets acquired has been recognised as exploration assets of \$2,882,686 and is material to the statement of financial position.</p> <p>It is due to the impact on the financial statements, potential complexity and judgement involved that this is considered to be a key audit matter.</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> - We read the sale and purchase agreement to understand key terms and conditions; - We assessed the principles applied in the acquisition accounting; - We considered whether or not XXXX Gold Pty Ltd and Ukalunda Pty Ltd constituted a business under AASB 3; - We assessed the consideration and accounting for the acquisition; and - We assessed the adequacy of the Group’s disclosure in respect of the acquisition.

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 2021, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and 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.

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 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 2021.

In our opinion, the Remuneration Report of Sunshine Gold Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
27 September 2021



N G Neill
Partner

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 2021, 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
27 September 2021



N G Neill
Partner

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SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

ASX ADDITIONAL INFORMATION

QUOTED SECURITIES

ORDINARY FULLY PAID SHARES

(i) **DISTRIBUTION OF SHAREHOLDERS AS AT 22 SEPTEMBER 2021:**

SPREAD OF HOLDINGS	NO. OF HOLDERS	NO. OF SHARES	PERCENTAGE OF ISSUED CAPITAL %
1 – 1,000	50	18,297	0.00%
1,001 - 5,000	43	121,998	0.03%
5,001 - 10,000	68	589,348	0.13%
10,001 - 100,000	368	18,974,948	4.27%
100,001+	309	425,007,027	95.57%
	838	444,711,618	100.00%

The number of shareholdings held in less than marketable parcels is 136 (based on the last sale price of \$0.05 on 22 September 2021).

(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>	46,245,297	10.40%
2 PARETO NOMINEES PTY LTD <THE DAMELLE A/C>	22,000,000	4.95%
2 MR DAMIEN LESLIE KEYS & MRS AMY DAWN KEYS <THE ADK FAMILY A/C>	22,000,000	4.95%
2 STONE PONEYS NOMINEES PTY LTD <CHAPMAN SUPER FUND A/C>	22,000,000	4.95%
2 MR LESLIE BRIAN DAVIS & MRS ANNETTE FAY DAVIS <LB & AF DAVIS S/F A/C>	22,000,000	4.95%
3 TOPAZE ENTERPRISES PTY LTD <GBM A/C>	16,213,476	3.65%
4 MR KENNETH GATCHALIAN	16,062,244	3.61%
5 MONSLIT PTY LTD <ANTHONY TORRESAN A/C>	14,231,834	3.20%
6 MR JOE LEUZZI & MRS SALLY LEUZZI	10,273,677	2.31%
7 DF LYNTON-BROWN PTY LTD <DF LYNTON-BROWN P/L S/F A/C>	10,000,000	2.25%
8 ACP INVESTMENTS PTY LTD	9,375,000	2.11%
9 DARLOT INVESTMENTS PTY LTD <JONES SUPER FUND A/C>	8,500,000	1.91%
10 P D CRUTCHFIELD PTY LTD <CRUTCHFIELD SUPER FUND A/C>	7,645,352	1.72%
11 ALITIME NOMINEES PTY LTD <HONEYHAM FAMILY A/C>	7,000,000	1.57%
12 MR ROGER BLAKE & MRS ERICA LYNETTE BLAKE <THE MANDY SUPER FUND A/C>	5,000,000	1.12%
13 GAB SUPERANNUATION FUND PTY LTD	4,921,115	1.11%
14 ACP INVESTMENTS PTY LTD <A & L PISMIRIS S/F A/C>	4,687,500	1.05%
15 MR JOSE MARI MORAZA & MR ANTONIO MORAZA	4,545,278	1.02%
16 QUARTZ MOUNTAIN MINING PTY LTD <THE BASS FAMILY A/C>	4,500,000	1.01%
17 ENERGY-SAVING TECHNOLOGY PTY LTD <EST AC>	3,918,801	0.88%
18 RFID SYSTEMS PTY LTD <RFID A/C>	3,791,181	0.85%
19 GALLANT (WA) PTY LTD <GALLANT A/C>	3,610,292	0.81%
20 ENERGY-SAVING TECHNOLOGY PTY LTD	3,490,625	0.78%
Total	272,011,672	61.17%

SUNSHINE GOLD LIMITED AND CONTROLLED ENTITIES

ASX ADDITIONAL INFORMATION *(continued)*

QUOTED SECURITIES *(continued)*

(a) ORDINARY FULLY PAID SHARES *(continued)*

(iii) VOTING RIGHTS

Article 15 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	60,477,131	13.60
Stone Poneys Nominees Pty Ltd	22,555,000	5.07
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	83,032,131	18.67

(b) UNQUOTED SECURITIES

(i) UNLISTED OPTIONS ON ISSUE

Options exercisable at \$0.03 expiring 30 September 2025	71,000,000
Options exercisable at \$0.03 expiring 2 November 2025	1,000,000

(ii) PERFORMANCE RIGHTS

Performance rights with vesting conditions expiring 30 September 2023	17,000,000
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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 the highest standard 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 2021 corporate governance statement was approved by the board on 27 September 2021 and is current as at 27 September 2021. 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/.