



SUNSHINE METALS LIMITED

FORMERLY (SUNSHINE GOLD LIMITED)

A.B.N. 12 063 388 821

ANNUAL FINANCIAL REPORT

30 JUNE 2023

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

CORPORATE DIRECTORY

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

CHAIRMAN'S LETTER

The last 12 months year has been transformational for Sunshine Metals. Our strategy remains focused on discovery and development of our high-quality projects in Queensland. During the year, we refined our strategy by undertaking a substantial consolidation around our Ravenswood West Project. This took the project from ~650sq kms to ~1,760sq kms and involved three separate transactions:

- In January 2023 we entered into a Binding Farm-In and Joint Venture agreement with Rockfire Resources PLC to earn up to 75% of the Lighthouse Gold Project ("Lighthouse"). Lighthouse contains an Inferred Resource of 50K oz @ 1.66 g/t Au at the Plateau Breccia Prospect. Plateau remains open at depth and along strike and is geologically analogous to the nearby Mt Leyshon Gold Mine (3.5M oz). Lighthouse also contains numerous other attractive prospects.
- In May 2023, Sunshine entered agreements to acquire 100% of Greater Liontown (~684kms²) for \$3.25m in cash with a further \$2m of cash payable on production milestones. The acquisition was completed on 6 September 2023. Greater Liontown is ideally located in terms of infrastructure. Charters Towers is 35kms away providing ready access to a workforce and services. Our Townsville head office is only 135km away where there is significant infrastructure including: Townsville port, Cu & Zn refineries and the proposed the Queensland Government's \$75 million Common User Facility which will be developed for critical minerals such as zinc, copper and molybdenum. Mains power, sealed roads and rail to Cu & Pb smelters are also readily available.

The consolidation led to the enlarged Ravenswood Consolidated Project which lies within a district that has produced over 20 Moz gold, and 14 Mt of volcanic massive sulphides ore (copper-gold,lead-zinc). Ravenswood Consolidated is now comprised of and includes:

- ~1,760 kms² of tenements covering ~80% of the highly prospective Mt Windsor Volcanogenic Massive Sulphide (VMS) horizon;
- the Liontown Zn-Ag-Pb/Au-Cu VMS Resource of 4.94mt @ 12.0% ZnEq (32% Indicated and 68% Inferred);
- 25 drill-ready Zn-Ag-Pb/Au-Cu IP geophysical targets;
- the under-drilled Carrington Au-Cu lode with significant intersections including:
 - 2.0m @ 82.5 g/t Au from 344m (LTD0022)
 - 3.0m @ 46.2 g/t Au from 20m (LRC0018)
 - 2.0m @ 68.6 g/t Au from 24m (LRC0043)
 - 7.0m @ 13.0 g/t Au from 115m (LLRC184)
- advanced Cu-Au VMS targets at Coronation, analogous to the nearby Highway-Reward Mine (4mt @ 6.2% Cu & 1.0 g/t Au mined);
- overlooked gold potential with drill ready targets, including the Tigertown-Cougartown trends and Truncheon with historic intersections including:
 - 17m @ 3.1 g/t Au from 22m (LLRC003, Tigertown)
 - 33m @ 1.95 g/t Au from 12m (MWR037, Tigertown)
- a 15km long Cu-Mo-Ag-Au mineralised porphyry corridor including numerous exciting targets (Gararin, Keans, Bank) and a 2012 Code JORC Exploration Target at Titov (5-8mt @ 0.07% - 0.12% Mo (top 100m); and
- a Pipeline of breccia hosted intrusion related gold systems including Wilbur's Hill, Plateau, Cardigan Dam and Mt Cooper.

Remarkably, all of this has been built in about 2 years.

SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

In addition, we successfully completed a major drilling program at the Triumph Gold Project which we consider to be analogous to the large Ravenswood Gold Mine (5.6Moz Au Resource). Drilling has now confirmed a large-scale Au system at Triumph. More than 85% of Triumph's Inferred Resource of 118,000oz @ 2.03g/t Au is <100m deep and largely located within 1.2km of strike within a 6km long trend (Northern Corridor). Drilling during the year saw both the Northern and Southern Corridors advanced significantly and a new mineralised zone identified 600m south of the Southern Corridor.

With our focus on Ravenswood Consolidated and Triumph, we also decided to divest our other quality projects (Investigator Cu and Hodgkinson Au-W) in an orderly manner.

Finally, the company name was changed from Sunshine Gold Limited to Sunshine Metals Limited to better reflect the broad range of metals under our control.

In closing, we would like to thank our stakeholders including traditional owners, local communities, employees, joint venture partners, suppliers and other business partners. We also would take this opportunity to thank our fellow shareholders for your ongoing support.



Alec Pismiris
Chairman

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

The directors present their report together with the financial statements of the Group consisting of Sunshine Metals Limited ("**Sunshine Metals**" or "**the Company**") (formerly Sunshine Gold Limited) and its controlled entities for the financial year ended 30 June 2023 ("**Balance Date**"), the notes to the financial statements and the auditor's report thereon.

DIRECTORS

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

Alec Pismiris
Damien Keys
Paul Chapman
Leslie Davis
Antonio Torresan

PARTICULARS OF DIRECTORS

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

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

Other current directorships: Agrimin Limited, Bubalus Resources Limited and The Market Herald Limited.

Former directorships (last 3 years): Lanthanein Resources Limited, Javelin Minerals Limited and Pacton Gold Inc (TSX-V).

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

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

Other current directorships: None

Former directorships (last 3 years): None

SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

PARTICULARS OF DIRECTORS (CONTINUED)

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

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

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

Former directorships (last 3 years): None

Leslie Davis B.Sc. MAusIMM
Non-Executive Director

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

Other current ASX directorships: Black Cat Syndicate

Former directorships (last 3 years): None

Antonio Torresan
Non-Executive Director

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

Other current directorships: None

Former directorships (last 3 years): None

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

COMPANY SECRETARY

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

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

DIRECTORS' MEETINGS

The following table sets out the number of meetings of the Company's directors, held during the year ended 30 June 2023 by each director:

	Number Eligible to Attend	Number Attended
Alec Pismiris	13	13
Damien Keys	13	13
Paul Chapman	13	9
Leslie Davis	13	13
Antonio Torresan	13	13

The Board also approved 6 circular resolutions during the year ended 30 June 2023.

PRINCIPAL ACTIVITIES

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

OPERATING AND FINANCIAL REVIEW

The Group made a loss after tax of \$3,489,942 for the year ended 30 June 2023 (2022: \$1,667,266).

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

Operations Report – Ravenswood Consolidated

The Group expanded its footprint to 1,760km² in the Ravenswood-Chartiers Towers district through the acquisition of the Greater Lontown Project (May 2023, completed September 2023) and through a farm-in at the Lighthouse Project (January 2023).

Field activities have been spread across all projects over the past year.

Drilling activities were completed at numerous targets including Titov, Bank, Elphinstone Creek and Wilbur's Hill. Soil sampling and mapping were completed at Elphinstone Creek and Connolly and geophysical surveys were carried out at Wilbur's Hill, Titov and Gagarin.

Drilling

Lontown

The Lontown Zn-Pb-Ag, Au-Cu VMS 2012 JORC Code Mineral Resource ("Lontown Resource") was acquired in May 2023, completed September 2023) as part of the Greater Lontown acquisition. A total of 25 diamond drill holes from a 2022 program were either unassayed or unlogged. All drill holes were logged and assayed with intersections including:

- **11.0m @ 1.74 g/t Au, 0.86% Cu, 9.17% Zn, 5.05% Pb, 179 g/t Ag** (19.02% ZnEq¹, from 173.4m, LTDD22057A)
- **8.1m @ 10.65 g/t Au** (17.77% Zn Eq¹, from 152.2m, LTDD22055)
- **7.0m @ 2.50 g/t Au, 0.41% Cu, 11.89% Zn, 5.04% Pb** (18.61% ZnEq¹, from 94.0m, LTDD22070)
- **9.0m @ 1.54 g/t Au, 1.67% Cu, 5.29% Zn** (12.51% ZnEq¹, from 79.0m, LTDD22080)
- **3.9m @ 0.24 g/t Au, 8.30% Cu** (23.30% ZnEq¹, from 99.0m, LTDD22074)
- **8.5m @ 5.47 g/t Au, 0.39% Cu** (10.17% ZnEq¹, from 73.5m, LTDD22068)
- **8.7m @ 1.31 g/t Au, 1.88% Cu, 2.19% Zn** (9.73% ZnEq¹, from 128.0m, LTDD22072)
- **5.0m @ 0.29 g/t Au, 4.99% Cu, 1.32% Zn** (15.91% ZnEq¹, from 288.8m, LTDD22052)
- **5.3m @ 4.95 g/t Au, 1.36% Cu, 2.46% Zn** (14.46% ZnEq¹, from 195.0m, LTDD22054)
- **5.5m @ 1.65 g/t Au, 0.41% Cu, 6.21% Zn** (13.39% ZnEq¹, from 202.0m, LTDD22056)

In addition, it was determined that the Lontown Resource had not been updated since March 2020 notwithstanding that 96 holes had been drilled since that time. As a consequence, the following holes have not yet been factored into the Resource:

- **8.0m @ 11.74 g/t Au, 0.85% Cu** (21.89% ZnEq¹, from 115.0m, LLRC184)
- **3.0m @ 13.34 g/t Au, 0.45% Cu, 1.58% Zn** (23.96% ZnEq¹, from 89m, LLRC220)
- **6.0m @ 3.28 g/t Au, 0.76% Cu, 1.39% Zn** (8.73% ZnEq¹, 105.0m, LLRC206)
- **4.0m @ 4.38 g/t Au, 0.71% Cu, 3.68% Zn** (12.26% ZnEq¹, 131.0m, LLRC180)
- **14.0m @ 4.12 g/t Au, 4.95% Zn, 2.98% Pb, 82g/t Ag** (oxide, 40m, LLRC200)
- **13.0m @ 2.12 g/t Au, 1.51% Cu, 8.54% Pb, 490g/t Ag** (oxide, 46m, LLRC221)

DIRECTORS' REPORT (CONTINUED)

¹ % ZnEq is an estimate of recoverable zinc equivalent. The zinc equivalent grades for Greater Lontown (% ZnEq) are based on the following prices: US\$2,500t Zn, US\$8,500t Cu, US\$2,000t Pb, US\$1,900oz Au, US\$20oz Ag.

Metallurgical metal recoveries are supported by metallurgical test work undertaken and are: 88.8% Zn, 80% Cu, 70% Pb, 65% Au, 65% Ag. The ZnEq calculation is as follows: $ZnEq = Zn\ grade\ \% * Zn\ recovery + (Cu\ grade\ \% * Cu\ recovery\ \% * (Cu\ price\ \$/t / Zn\ price\ \$/t)) + (Pb\ grade\ \% * Pb\ recovery\ \% * (Pb\ price\ \$/t / Zn\ price\ \$/t * 0.01)) + (Au\ grade\ g/t / 31.103 * Au\ recovery\ \% * (Au\ price\ \$/oz / Zn\ price\ \$/t)) + (Ag\ grade\ g/t / 31.103 * Ag\ recovery\ \% * (Ag\ price\ \$/oz / Zn\ price\ \$/t * 0.01))$. It is the opinion of Sunshine and the Competent Person that all elements and products included in the ZnEq formula have reasonable potential to be recovered and sold.

SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

- **4.0m @ 6.26 g/t Au, 3.11% Pb, 167g/t Ag** (oxide, 25m, LLRC207)
- **6.0m @ 3.58 g/t Au, 9.39% Pb, 106g/t Ag** (oxide, 22m, LLRC223)

These results are expected to upgrade and extend the current Liontown Resource with an update to be completed in the December 2023 quarter.

Titov

At Titov, 12 holes tested the extent of the "Main Zone" lode, defining mineralisation over a 500m strike length and showing the deposit to be open at depth. Notable assays include:

- **103m @ 0.57% CuEq²** from surface (22TVRC012)
- **42m @ 0.34% CuEq²** from 15m (22TVRC011)
- **16m @ 0.50% CuEq²** from 15m (22TVRC022)

Additionally, 3 holes at Titov South intercepted higher-grade Cu-Mo bearing veins in a similar structural orientation to the Main Zone, including:

- **5m @ 0.95% CuEq²** from 201m and **5m @ 0.79% CuEq²** from 229m (22TVRC018)

Meanwhile, one shallow hole drilled 300 north of Titov Main (to test a coincident shallow east-west conductor and Cu-Ag bearing float) returned anomalous Au.

The total work completed at Titov comprised a prospect-scale IP survey, 27 RC holes and 1 diamond hole. From the successful programs, the first geological model of Titov was generated and formed the basis of an Exploration Target. The Exploration Target is for mineralisation <100m depth and totalled **5 - 8Mt @ 0.07% - 0.12% molybdenum (Mo) and 0.28% - 0.44% copper (Cu)**. The Exploration Target is based on a number of key assumptions including:

- Tonnage of 5 - 8Mt – which reflects the geologically modelled dimensions of the Mo-rich, sericite-altered, quartz vein domain. The modelling is based on geological mapping and logging of Sunshine's drill holes from surface to 100m vertical depth (open pit focus).
- Mo Grade of 0.07 – 0.12% – estimated using +/- 25% around the mean Mo grade within the Mo-rich, sericite-altered, quartz vein domain based on Sunshine's drill holes.
- Cu Grade of 0.27 - 0.44% – estimated using +/- 25% around the mean Cu grade within the Mo-rich, sericite-altered, quartz vein domain based on Sunshine's drill holes.

Titov remains open at depth. It is also the first of 5 Cu-Mo porphyries tested along a 15km long corridor. Further work will evaluate the economic potential of Titov Deeps, Keans, Gagarin, Bank and Barrabas.

Bank

The first drilling campaign in over 20 years at the Bank Cu-Au-Ag-Mo target was completed. A total of 5 reconnaissance RC holes (716m) intersected broad zones of disseminated and vein hosted sulphides within intensely altered host granodiorite. Notable assays include:

- **70m @ 0.22% CuEq²** from 15m (22BKRC005)

Drilling indicated that Cu endowment and alteration is increasing toward the contact with a central intrusion, known as the Barrabas Porphyry. Future exploration targeting will focus on this contact zone.

² recoverable copper equivalent accounts for metallurgical recovery, cost and other parameters. All assumptions are listed in ASX release 11 August 2022, Table 1, Data Aggregation Methods.

SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

Wilbur's Hill

Two diamond holes (22WHDD001 and 22WHDD002) were drilled at Wilbur's Hill (1,318m). The holes targeted a breccia pipe hosted intrusion related gold system as seen at the nearby major gold mines at Mt Leyshon (3.5 Moz Au) and Mt Wright (1 Moz Au). Wilbur's Hill was targeted on coincident:

- strong Induced Polarisation ("IP") chargeability anomaly;
- deep IP and MT resistivity low;
- mapped rhyolite volcanic complex; and
- elevated Au, Ag, Bi, Cu, Mo, Te, Pb and Zn in soils.

Drilling intercepted:

- **1m @ 0.31 g/t Au, 13.7 g/t Ag and 0.77% Cu** from 68m; and
- **1m @ 0.19 g/t Au, 4.1 g/t Ag and 0.33% Cu** from 125m (22WHDD001)
- 480m interval of >3% pyrite³, including 70m >5% pyrite³ (22WHDD001); and
- 67m interval of >2% pyrite³ and a 36m interval of >3% pyrite³ (22WHDD002);
- intense magnetite alteration (22WHDD002);
- multiple zones of rhyolite, locally brecciated or flow banded; and
- geochemical evidence for a strongly zoned intrusion related gold system.

The two diamond holes intersected intense magnetite alteration, indicating the hottest part of the breccia gold system. Soil sampling provides a potential vector to a cooler zone on the northern margin of the breccia pipe. The northern target zone remains within a zone of IP chargeability and elevated Zn and Pb in soils. A second target is located on a shear zone emanating from the breccia pipe and contains rockchip anomalism to 14.1 g/t Au.

Elphinstone Creek

A first-pass, low-cost, air-core drilling program was completed to quickly and cheaply assess the rare earth potential. The 67-hole program had an average hole depth of 6m. The program intercepted anomalous gold, **4m @ 0.71 g/t Au** from 2m (22ECAC021) but showed that rare earths anomalism was confined only to a thin sub-metre soil profile. The area will continue to be assessed for Au potential.

Geophysical surveys

A TITAN IP-MT geophysical survey completed in September 2022 identified 2 drill ready targets at Wilbur's Hill. The first target is a strong conductive and chargeable pipe-like anomaly ~300m x 250m in dimension and defined to depths of 800m (from MT). The top of the anomaly is at 150m depth. The TITAN IP-MT survey identified sub-surface MT conductivity to 1,500m depth and resistivity and chargeability to depths of 750m.

These targets are planned to be drilled in early 2024.

In addition, a dipole-dipole IP survey was completed over Gagarin to define drill targets. The survey comprised six north-south oriented IP lines, 200m apart, with 50m spacing between survey stations along each line. The survey successfully delineated 2 discrete chargeable anomalies. The main chargeability anomaly coincides with a low resistivity zone and Cu soil anomaly which has been shallowly drilled. Historical drilling however did not reach the top of the chargeability anomaly. Gagarin now presents as an exciting opportunity for another porphyry Cu-Au-Ag-Mo discovery and will be ranked for drilling along with other opportunities.

³ Pyrite percentage is an estimate that has been stoichiometrically calculated. The calculation assumes that all sulphide is pyrite. The formula used to calculate pyrite percentage was $\text{Pyrite} = \% \text{ Sulphur} / 0.5333$ (Weight % S in Pyrite). Pyrite Percentage was composited using a 1% cut off with up to 3m of internal dilution.

SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

Mapping and Soil Sampling

Mapping has extended the high-grade Cu-Mo-Au-Ag mineralisation at the Keans prospect. Vein-hosted and disseminated mineralisation was mapped and sampled ~350m west of previous drilling. Rock chip results include:

- **7.50% Cu, 0.13% Mo, 12.3 g/t Ag, 0.14 g/t Au**, (KN23_003)
- **5.60% Cu, 0.24% Mo, 106 g/t Ag, 0.62% Pb, 0.12% Sb** (KN23_002)

Soil sampling at the Connolly Au prospect, 15km south of the Ravenswood Gold Mine and in the north of the Dreghorn trend, has defined a large-scale 1.8km x 2.5km >50 ppb Au soil anomaly, with ~15% of samples returning assays >50ppb Au, with a max of 1.47 g/t Au.

First mapping was also conducted at Cardigan Dam (Lighthouse Farm-In) which comprises a ~300m long, sub-cropping zone of brecciated and sheared granodiorites. Historic rock chip results include: 23.4 g/t Au, 15.6 g/t Au, 11.4 g/t Au and 9.9 g/t Au. The rock chips correlate with a 350m long, >50ppb Au soil anomaly and are coincident with a magnetic feature interpreted to be a large fault zone and returned up to:

- **8.35 g/t Au, 32.8 g/t Ag, 0.28% Cu, 0.13% Co, 1.0% Ba** (CD23_001).

Further mapping has delineated the full 300m long extent of the outcropping gossan. Results include:

- **13.20 g/t Au, 4.8 g/t Ag** (CD23_023)
- **8.42 g/t Au, 0.9 g/t Ag** (CD23_029)
- **6.86 g/t Au, 4.1 g/t Ag** (CD23_031)
- **6.22 g/t Au, 6.5 g/t Ag** (CD23_025)
- **5.05 g/t Au, 3.7 g/t Ag** (CD23_024)

Field work also identified a 100m long manganiferous gossan to the north of the Main Gossan (North Gossan). The sample is highly enriched in cobalt and further work on the North Gossan is planned. The rock chip sample contained:

- **0.62% Co, 0.48% Cu, 0.92% Ba, 185ppm Ni** (CD23_035)

A sub-cropping breccia located 500m south of the Main Gossan was located during the traverse. The rock chip sample contained:

- **9.58 g/t Au, 9.9 g/t Ag** (CD23_004)

Operations Report – Triumph

A 2,922m RC drilling program was completed which had two key objectives:

1. extend the current Resource of 118,000 oz @ 2.03g/t Au which is mainly hosted in only 20% of the Southern Corridor down to 100m; and
2. test highly prospective targets across the broader area for future Resource drilling.

In addition, 2 reconnaissance holes (224m) were drilled 600m south of the current Southern Corridor Resource. These holes tested an undrilled EW trending 1km long, gold in soil anomaly over a number of historical workings. Both holes intersected mineralisation showing continuity of the structure over an 80m strike length. Encouraging gold grades were intercepted in both holes. Hole 23TRRC036 also intersected significant Ag-Zn-Pb mineralisation which are pathfinder elements to Au mineralisation. Results include:

- **4m @ 1.92 g/t Au, 151 g/t Ag, 1.62% Zn, 1.25% Pb** from 48m (23TRRC036)
- **3m @ 1.23 g/t Au** from 38m (23TRRC035)

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

Drilling within the Southern Corridor also targeted the Constitution and Welcome veins and comprised 17 holes for 1,520m (average depth 89m). Results included:

- **2m @ 8.46 g/t Au** (23TRRC010, from 57m)
- **2m @ 4.59 g/t Au** (23TRRC008, from 43m)
- **7m @ 1.31 g/t Au** (23TRRC009, from 77m)
- **3m @ 3.61 g/t Au** (23TRRC003, from 74m)

Drilling in the Northern Corridor targeted the Advance and Bald Hill areas, which provide significant potential for Resource growth. Advance was historically the most productive mine in the district and is comprised of multiple vein sets in two predominant orientations (NW striking and EW striking).

A total of 10 holes were completed at Advance for 616m (average depth 61m). Two NW-trending veins were targeted, with the western vein intercepted 70m to the north of historic workings. Drilling at Advance was followed by extensional drilling at Bald Hill (outside of the current Resource). A total of 5 holes were drilled for 446m (average depth 89m). Results included:

- **4m @ 4.00 g/t Au** (23TRRC034, from 42m)
- **6m @ 1.30 g/t Au** (23TRRC022, from 25m)
- **2m @ 3.00 g/t Au** (23TRRC022, from 37m)
- **3m @ 2.33 g/t Au** (23TRRC031, from 61m)
- **3m @ 1.82 g/t Au** (23TRRC026, from 23m)
- **1m @ 4.57 g/t Au** (23TRRC030, from 75m)

CORPORATE

CAPITAL RAISINGS

In August 2022, the Company completed a share placement to institutional and sophisticated investors at \$0.025 for a total of \$3.75 million (before costs). Directors increased their investment into the Company by \$245,000 to circa \$3 million via the Placement.

In May 2023, in conjunction with the agreement to acquire the Greater Lione Project, the Company announced that firm commitments have been received from existing shareholders, institutional and sophisticated investors to raise \$3.6m (before costs) by way of a share placement at \$0.015 per share. The share placement was completed in two tranches. The first tranche made under the Company's Listing Rule 7.1 and 7.1A placement capacity was completed in May 2023, with the second tranche which included participation from directors completed in July 2023.

ACQUISITIONS

In January 2023 the Company entered into a binding Farm-In and Joint Venture agreement with Rockfire Resources PLC to earn up to 75% of the Lighthouse Gold Project ("Lighthouse") which adjoined Sunshine's 100% owned Ravenswood West Project. Lighthouse contains a JORC 2012 Inferred Resource of 961kt @ 1.66 g/t Au totalling 50K oz Au at the Plateau Breccia Prospect which is open at depth and along strike and, importantly, is geologically analogous to the nearby Mt Leyshon Gold Mine (3.5M oz).

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

In May 2023 the Company announced the acquisition of 100% of Greater Lontown which comprised of 16 tenements, covering an area of approximately 684kms² for \$3.25m in cash with a further \$2m of cash payable on production milestones. The acquisition of Greater Lontown delivered control of approximately 80% of the highly prospective Mt Windsor Volcanogenic Massive Sulphide horizon, 1,760kms² of highly prospective Au/Cu-Au ground, a Zn-Cu-Pb-Au VMS JORC 2012 Resource of 4.94mt @ 12.0% ZnEq (32% Indicated and 68% inferred) and numerous drill-ready Zn-Cu-Pb-Au IP geophysical targets.

UNLISTED INVESTMENT IN COCKATOO IRON NL

Sunshine Metals holds 6,250,000 unlisted fully paid ordinary shares in Cockatoo Iron NL ("**Cockatoo Iron**") as a consequence of the sale of its interests in the Cockatoo Island Project and participation in a subsequent entitlements issue. Cockatoo Iron has a 21.14% interest in Pearl Gull Limited (ASX: PLG).

OPERATING AND FINANCIAL RISKS

The Group's activities have inherent risk and the Board is unable to provide certainty of the expected results of activities, or that any or all of the likely activities will be achieved. The material business risks faced by the Group that could influence the Group's future prospects, and how the Group manages these risks, are detailed below:

Operational risks

The Group may be affected by various operational factors. In the event that any of these potential risks eventuate, the Group's operational and financial performance may be adversely affected. No assurances can be given that the Group will achieve commercial viability through the successful exploration and/or mining of its tenement interests. Until the Group is able to realise value from its projects, it is likely to incur ongoing operating losses.

The Group's tenements are at various stages of exploration, and potential investors should understand that mineral exploration and development are speculative and high-risk undertakings that may be impeded by circumstances and factors beyond the control of the Group.

There can be no assurance that exploration of the tenements, or any other exploration properties that may be acquired in the future, will result in the discovery of an economic Resource. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

There is no assurance that exploration or project studies by the Group will result in the definition of an economically viable mineral deposit. In the event the Group successfully delineates economic deposits on any tenement, it will need to apply for a mining lease to undertake development and mining on the relevant tenement. There is no guarantee that the Group will be granted a mining lease if one is applied for and if a mining lease is granted, it will also be subject to conditions which must be met.

Further capital requirements

The Group's projects may require additional funding in order to progress activities. There can be no assurance that additional capital or other types of financing will be available if needed to further exploration or possible development activities and operations or that, if available, the terms of such financing will be favourable to the Group.

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

The Group's activities are subject to Government regulations and approvals

The Group is subject to certain Government regulations and approvals. Any material adverse change in government policies or legislation in Queensland and/or Australia that affect mining, processing, development and mineral exploration activities, export activities, income tax laws, royalty regulations, government subsidiaries and environmental issues may affect the viability and profitability of any planned exploration or possible development of the Group's portfolio of projects.

Global conditions

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Group's exploration activities, as well as on its ability to fund those activities. General economic conditions, laws relating to taxation, new legislation, trade barriers, movements in interest and inflation rates, currency exchange controls and rates, national and international political circumstances (including outbreaks in international hostilities, wars, terrorist acts, sabotage, subversive activities, security operations, labour unrest, civil disorder, and states of emergency), natural disasters (including fires, earthquakes and floods), and quarantine restrictions, epidemics and pandemics, may have an adverse effect on the Group's operations and financial performance, including the Group's exploration, as well as on its ability to fund those activities.

General economic conditions may also affect the value of the Group and its market valuation regardless of its actual performance.

EXPLORATION TARGETS, RESOURCES AND ORE RESERVES STATEMENT

Sunshine Metals' Resource at Triumph at 30 June 2023 was 1.8 million tonnes at 2.03 g/t Au for 118 koz of contained gold (100% Inferred).

As at June 30 2023, Greater Lontown currently hosts a Zn-Cu-Pb-Au VMS Resource of 4.94 million tonnes at 12.0% ZnEq (32% Indicated, 68% Inferred). The Lontown Resource is composed of the Lontown, Lontown East, Waterloo and Orient deposits.

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

EXPLORATION TARGETS, RESOURCES AND ORE RESERVES STATEMENT (CONTINUED)

Sunshine Metals is earning an interest in the Plateau Resource. The Resource currently stands at 961 thousand tonnes at 1.66 g/t Au for 49.7 koz of contained gold (100% Inferred). Sunshine Metals can earn up to a 75% stake in the Resource (and Lighthouse Project) through exploration spend of \$2.2 million over 3 years commencing January 2023.

There were no 2012 JORC Code Ore Reserves (“Ore Reserves”) at 30 June 2023.

An Exploration Target (“Exploration Target”) has been defined for Titov Cu-Mo target. As at June 30 2023, the Exploration Target ranges between 5 - 8Mt @ 0.07% - 0.12% molybdenum (Mo) and 0.28% - 0.44% copper (Cu).

Prospect	Lease Status	Resource Class	Tonnage (kt)	Copper (%)	Lead (%)	Zinc (%)	Gold (g/t)	Silver (g/t)	Zinc Eq. (%) *	Contained Copper (t)	Contained Lead (t)	Contained Zinc (t)	Contained Gold (Koz)	Contained Silver (Koz)
Liontown Oxide	ML/MLA	Inferred	144	0.6	1.7	1.0	2.1	30	5.76	807	2,427	1,465	10	139
	ML/MLA	Total	144	0.6	1.7	1.0	2.1	30	5.76	807	2,427	1,465	10	139
Liontown	ML/MLA	Indicated	857	0.4	2.2	6.9	1.1	46	11.1	3,688	18,785	59,437	32	1,277
	ML/MLA	Inferred	1436	1.0	1.3	4.6	1.7	23	10.55	13,727	19,290	66,551	80	1,052
		Total	2,293	0.8	1.7	5.5	1.5	32	10.76	17,415	38,076	125,988	111	2,329
Liontown East	ML/MLA	Inferred	1,470	0.5	2.5	7.5	0.7	29	10.96	7,190	37,133	109,862	34	1,378
		Total	1,470	0.5	2.5	7.5	0.7	29	10.96	7,190	37,133	109,862	34	1,378
Waterloo	ML/MLA	Indicated	402	2.6	2.1	13.3	1.4	68	23.4	10,595	8,491	53,596	18	874
	ML/MLA	Inferred	271	0.8	0.8	6.8	0.4	24	9.26	2,093	2,082	18,498	4	207
		Total	673	1.9	1.6	10.7	1.0	50	17.71	12,687	10,573	72,094	21	1,081
Orient	EPM	Indicated	329	1.1	2.5	10.9	0.2	55	15.2	3,517	8,212	35,772	2	581
	EPM	Inferred	32	0.9	2.2	14.5	0.2	51	17.74	273	704	4,640	0	52
		Total	361	1.0	2.5	11.2	0.2	55	15.43	3,790	8,916	40,412	2	633
Total VMS Resource			4,941	0.8	2.0	7.1	1.1	35	11.96	41,889	97,125	349,822	179	5,561
Plateau [†]	EPM	Inferred	961	-	-	-	1.7	10.7		-	-	-	50	329
Triumph	EPM	Inferred	1,808	-	-	-	2.0	-		-	-	-	118	-
Global Resource			7,710							41,889	97,125	349,822	347	5,890

Table 1: Resources at as 30 June 2023.

Prospect	Resource Class	Tonnage (kt)	Copper (%)	Molybdenum (%)
Titov	Exploration Target	5,000 - 8,000	0.28 - 0.44	0.07 - 0.12

Table 2: Titov Exploration Target at as 30 June 2023.

Notes on Resource:

- The preceding statement of Resources conforms to the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 Edition' (“2012 JORC Code”).
- All tonnages are reported as dry metric tonnes.
- Data is rounded to thousands of tonnes and thousands of ounces gold. Discrepancies in totals may occur due to rounding.
- Resources have been reported with varying cut-offs based on several factors discussed in the corresponding Table 1 which can be found with the original ASX release, 31 March 2022 “Robust Maiden Resource at Triumph Gold Project”
- Resources have been reported with varying cut-offs based on several factors discussed in the corresponding Table 1 which can be found with the original ASX release, 8 May 2023 “Fully Funded Acquisition of Greater Liontown”
- Resources have been reported with varying cut-offs based on several factors discussed in the corresponding Table 1 which can be found with the original ASX release, 20 January 2023 “Consolidation of High Grade Advanced Au Prospects RW”
- Exploration Target for Titov based on several factors discussed in the corresponding Table 1 which can be found with the original ASX release 21 March 2023 “Shallow High Grade Titov Cu-Mo Exploration Target”

SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

EXPLORATION TARGETS, RESOURCES AND ORE RESERVES STATEMENT (CONTINUED)

QUALITY CONTROL

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

COMPETENT PERSON'S STATEMENT

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

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

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

The information in this report that relates to Mineral Resources at Plateau is based on information compiled and reviewed by Dr Damien Keys, who is a Member of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists (AIG). Dr Keys has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Mineral Resources. Dr Keys consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the Titov Exploration Target is based on, and fairly represents, information compiled by Mr Matt Price, a Competent Person who is a Member of the Australian Institute of Geoscientists (AIG) and the Australian Institute of Mining and Metallurgy (AusIMM). Mr Price has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the JORC Code. Mr Price consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

SCHEDULE OF TENEMENT INTERESTS AS AT 30 JUNE 2023

Project	Tenement	Status	Beneficial Interest
Hodgkinson	EPM 18171	Granted	100%
Hodgkinson	EPM 19809	Granted	100%
Hodgkinson	EPM 25139	Granted	100%
Hodgkinson	EPM 27539	Granted	100%
Hodgkinson	EPM 27574	Granted	100%
Hodgkinson	EPM 27575	Granted	100%
Investigator	EPM 27343	Granted	100%
Investigator	EPM 27344	Granted	100%
Investigator	EPM 28369	Granted	100%
Triumph	EPM 18486	Granted	100%
Triumph	EPM 19343	Granted	100%
Ravenswood	EPM 26041	Granted	100%
Ravenswood	EPM 26152	Granted	100%
Ravenswood	EPM 26303	Granted	100%
Ravenswood	EPM 26304	Granted	100%
Ravenswood	EPM 27824	Granted	100%
Ravenswood	EPM 27825	Granted	100%
Ravenswood	EPM 28237	Granted	100%
Ravenswood	EPM 28240	Granted	100%
Ravenswood*	EPM10582	Granted	100%
Ravenswood*	EPM12766	Granted	100%
Ravenswood*	EPM16929	Granted	100%
Ravenswood*	EPM26718	Granted	100%
Ravenswood*	EPM27357	Granted	100%
Ravenswood*	EPM27520	Granted	100%
Ravenswood*	EPM14161	Granted	100%
Ravenswood*	EPM25815	Granted	100%
Ravenswood*	EPM18471	Granted	100%
Ravenswood*	EPM18470	Granted	100%
Ravenswood*	EPM18713	Granted	100%
Ravenswood*	EPM25895	Granted	100%
Ravenswood*	ML10277	Granted	100%
Ravenswood*	ML100290	Application	100%
Ravenswood*	ML100302	Application	100%
Ravenswood#	EPM25617	Granted	0%
Ravenswood#	EPM26705	Granted	0%

* Cautionary Statement: Conditions precedent are to be satisfied prior to completion which occurred on 6 September 2023.

Farm-In tenements. SHN has the capacity to earn 75% beneficial interest over 3 years.

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.

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

DIVIDENDS

No dividends were paid or recommended for the year ended 30 June 2023.

EVENTS SUBSEQUENT TO REPORTING DATE

On 5 July 2023, the Company changed its name to Sunshine Metals Limited as approved at the general meeting of shareholders held on 23 June 2023.

On 7 July 2023, the Company issued the following securities that were approved at the general meeting of shareholders held on 23 June 2023:

- 49,566,666 shares at \$0.015 each to raise \$743,500 which was part of the Tranche 2 Placement;
- 20,000,000 unlisted options exercisable at \$0.0225 each expiring on 30/06/2027 to directors; and
- 20,000,000 unlisted options exercisable at \$0.0225 each expiring on 7/7/2027 to the lead manager of the placement undertaken in May 2023.

On 12 July 2023, the Company issued 1,000,000 shares at \$0.015 each to raise \$15,000 as part of the Tranche 2 Placement.

On 2 August 2023, the Company issued 4,933,334 unlisted options exercisable at \$0.0225 each expiring on 30 June 2027 to employees.

On 6 September 2023, the Company completed the Greater Liontown transaction which related to the acquisition of 16 tenements in two separate transactions with unrelated, third parties adjacent to the Ravenswood West project. Consideration for the acquisition is set out below.

	Cromarty	Hebrides
Cash Payments		
Non-Refundable Deposit/Fee	\$400,000	\$25,000
Cash Paid at Completion	\$2,100,000	\$225,000
Deferred Cash – 31 October 2023	\$500,000	-
Total Cash Payments	\$3,000,000	\$250,000
Milestone Payments		
- \$1m of Production Revenue	\$1,000,000	-
- \$1m of Production Revenue + 1 Year	\$1,000,000	-
Total Milestone Payments	\$2,000,000	-
Total Consideration	\$5,000,000	\$250,000

On 20 September 2023 Cockatoo Iron's shareholding in Pearl Gull Limited was released from escrow.

On 21 September 2023, the Company announced that it had secured commitments for a placement of \$3.0 million (before costs) at an issue price of \$.014 per share with one attaching option for every three new shares exercisable at \$0.03 expiring 30 September 2025. Funds from the placement were received on 26 September 2023.

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.

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

COMPANY SECURITIES

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

Security Description	Number of Securities
Fully paid shares	1,224,008,444

Unissued shares

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

Security Description	Number of Securities
Ordinary shares under options	113,233,334
Performance shares	8,500,000
Deferred shares subject to performance hurdles	50,000,000

Unlisted options on issue

Options exercisable at \$0.03 expiring 30 September 2025	65,600,000
Options exercisable at \$0.03 expiring 2 November 2025	1,000,000
Options exercisable at \$0.07 expiring 31 July 2024	1,700,000
Options exercisable at \$0.0225 expiring 7 July 2027	20,000,000
Options exercisable at \$0.0225 expiring 30 June 2027	24,933,334

Performance rights

Performance rights with vesting condition expiring 30 September 2023	8,500,000
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Deferred consideration shares

Deferred shares with vesting condition expiring 11 December 2023	50,000,000
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The vesting condition that applies to the Performance Rights and Deferred Consideration Shares relates to the Company announcing to ASX by 30 September 2023 that it has Resource of 200,000 ounces of gold on tenements owned or being acquired or applied for by Sunshine (Triumph) Pty Ltd (formerly XXXX Gold Pty Ltd) at the time of completion. The vesting condition will not be achieved and the Company expects the Performance Rights and Deferred Consideration Shares to expire on the respective expiry dates.

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 (2022: 5,400,000).

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION

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

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

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

	Number of Ordinary Shares	Number of Deferred Shares	Number of Options	Number of Performance Rights
Alec Pismiris	19,395,833	-	12,000,000	-
Damien Keys	41,300,000	12,500,000	13,000,000	5,000,000
Paul Chapman	54,455,000	12,500,000	10,600,000	2,000,000
Leslie Davis	43,173,333	12,500,000	13,000,000	1,500,000
Antonio Torresan	85,666,667	-	12,000,000	-

CORPORATE GOVERNANCE

In recognising the need for high standards of corporate behavior and accountability, the directors support and have substantially adhered to the recommendations set by the ASX Corporate Governance Council. The Company's corporate governance statement can be viewed on the Company's website at www.shnmetals.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 a relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

In addition, the Company has, during or since the 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.

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

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

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 67.

NON-AUDIT SERVICES

The Board is 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 Board is also satisfied that the services disclosed below do not compromise the external auditors' independence for the following reasons:

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

There were no fees paid or payable to HLB Mann Judd during the year ended 30 June 2023 (2022: \$Nil) for non-audit services.

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED)

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

Remuneration policy

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

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

The remuneration policy setting out the terms and conditions for the executive directors and 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 and relevant comparative information.

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

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

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

- A. The Group has entered into an executive service agreement with managing director, Dr Damien Keys. The terms of the service agreement are set out as follows:
 - Commencement date: 24 November 2020
 - Term: two years (extended by a further 2 years on initial expiry)
 - Fixed remuneration: \$242,000 per annum (exclusive of superannuation)
 - Termination for cause: no notice period
 - Termination without cause: three month notice period

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration policy (continued)

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

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

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

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

Performance-based remuneration

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

The Group 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 an option or performance share.

The Group received 98.9% “yes” votes on its remuneration report for the 30 June 2022 financial year.

The table below summarises the earnings of the Group and other factors. Shareholder wealth for the Group is largely driven by exploration success, Resource growth and share price increase. Factors that are considered to affect shareholder wealth for the 5 years to 30 June 2023 are shown below.

	2023	2022	2021	2020	2019
Loss after income tax attributable to shareholders (\$)	(3,489,942)	(1,667,266)	(1,064,797)	21,556	(1,913,882)
Share price at year end (\$)	0.014	0.028	0.055	0.0258	0.0258
Basic earnings/(loss) per share (cents)	(0.45)	(0.30)	(0.29)	0.01	(0.53)

SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Performance-based remuneration (continued)

The table below is a summary of the Company's Global Resources.

Prospect	Resource Class	Tonnage (kt)	Copper (%)	Lead (%)	Zinc (%)	Gold (g/t)	Silver (g/t)	Zinc Eq. (%) *
Greater Liontown	Indicated (32%)	4,941	0.8	2	7.1	1.1	35	11.96
	Inferred (68%)							
Plateau#	Inferred	961	-	-	-	1.7	10.7	
Triumph	Inferred	1,808	-	-	-	2	-	
Global Resource		7,710						

Prospect	Contained Copper (t)	Contained Lead (t)	Contained Zinc (t)	Contained Gold (Koz)	Contained Silver (Koz)
Greater Liontown	41,889	97,125	349,822	179	5,561
Plateau#	-	-	-	50	329
Triumph	-	-	-	118	-
Global Resource	41,889	97,125	349,822	347	5,890

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Key management personnel compensation

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

	Primary Benefits Salary & Fees \$	Post Employment Super- annuation \$	Share Based Payments Shares/ Options \$	TOTAL \$	Performance Based %
Directors					
A Pismiris - Non-Executive Chairman					
2023	72,000¹	-	29,042	101,042	29
2022	72,000 ¹	-	-	72,000	-
D Keys – Managing Director					
2023	242,000	25,410	29,042	296,452	10
2022	225,500	22,550	100,000	348,050	29
P Chapman – Non-Executive Director					
2023	32,579	3,421	29,042	65,042	45
2022	32,727	3,273	40,000	76,000	53
L Davis – Non-Executive Director					
2023	32,579	3,421	29,042	65,042	45
2022	32,727	3,273	30,000	66,000	45
A Torresan – Non-Executive Director					
2023	36,000	-	29,042	65,042	45
2022	36,000	-	-	36,000	-
Total Remuneration:					
2023	415,158	32,252	145,210	592,620	25
2022	398,954	29,096	170,000	598,050	28

Notes:

(1) Includes \$36,000 (FY2022: \$36,000) paid as fees for Group secretarial services.

There were no other related party transactions with key management personnel during the year ended 30 June 2023 (Note 18).

Remuneration Options and Performance Rights

During the year ended 30 June 2023, no options were issued as part of director remuneration (30 June 2022: Nil). Options were approved by shareholders at a general meeting on 23 June 2023 and issued on 7 July 2023. Refer to Note 27 for details of director's options.

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

The options granted to directors during the year had no vesting conditions. The following table lists the inputs to the model used for the value of the options during the year:

Measurement date	23/6/2023
Issue date	7/7/2023
Expiry date	30/6/2027
Dividend yield	Nil
Expected volatility	90%
Risk-free interest rate	3.84%
Expected life of options (years)	4 years
Underlying share price	\$0.013
Option exercise price	\$0.0225
Value of option	\$0.00726
Number of options issued	20,000,000
Value of options	\$145,208

During the year ended 30 June 2023, no performance rights were issued as part of director remuneration (30 June 2022: Nil). Refer to Note 15(d) for details of performance rights.

Shareholdings by Directors (and Associates)

2023	Balance 01/07/22 (No. of Shares)	Received Remuneration (No. of Shares)	Acquired (No. of Shares)	Options Exercised (No. of Shares)	Net Other Change (No. of Shares)	Balance 30/06/23 (No. of Shares)
A Pismiris	15,062,500	-	1,000,000	-	-	16,062,500
D Keys	40,500,000	-	800,000	-	-	41,300,000
P Chapman	40,455,000	-	4,000,000	-	-	44,455,000
L Davis	37,840,000	-	2,000,000	-	-	39,840,000
A Torresan	67,000,000	-	2,000,000	-	-	69,000,000
Total	200,857,500	-	9,800,000	-	-	210,657,500

Options Holdings by Directors (and Associates)

2023	Balance 01/07/22 (No. Options)	Granted as Remuneration (No. Options)	No. of Options Acquired	No. of Options Exercised	Net Change Other (No. Options)	Balance 30/06/23 (No. Options)
A Pismiris	8,000,000	4,000,000	-	-	-	12,000,000
D Keys	9,000,000	4,000,000	-	-	-	13,000,000
P Chapman	6,600,000	4,000,000	-	-	-	10,600,000
L Davis	9,000,000	4,000,000	-	-	-	13,000,000
A Torresan	8,000,000	4,000,000	-	-	-	12,000,000
Total	40,600,000	20,000,000	-	-	-	60,600,000

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Options Holdings by Directors (and Associates) (continued)

Values of options over ordinary shares granted, exercised or lapsed for directors as part of compensation during the year ended 30 June 2023 are set out below:

2023	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Remuneration consisting of options for the year %
A Pismiris	29,042	-	-	29
D Keys	29,042	-	-	10
P Chapman	29,042	-	-	45
L Davis	29,042	-	-	45
A Torresan	29,042	-	-	45

Performance Rights Holdings by Directors (and Associates)

2023	Balance 01/07/22 (No. Rights)	Granted as Remuneration (No. Rights)	No. of Right Acquired	No. of Rights Exercised	Net Change Other (No. Rights)	Balance 30/06/23 (No. Rights)
A Pismiris	-	-	-	-	-	-
D Keys	5,000,000	-	-	-	-	5,000,000
P Chapman	2,000,000	-	-	-	-	2,000,000
L Davis	1,500,000	-	-	-	-	1,500,000
A Torresan	-	-	-	-	-	-
Total	8,500,000	-	-	-	-	8,500,000

End of remuneration report (audited).

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

Dated at Perth this 27th day of September, 2023

Alec Pismiris
Director

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

		Consolidated	
		2023	2022
	Note	\$	\$
Other income	2	-	5,934
Corporate expenses	3	(1,192,506)	(942,775)
Change in fair value of investments through profit or loss		(16,626)	(161,400)
Rehabilitation expense		(1,198,000)	(357,000)
Share based payments	27	(145,208)	(212,025)
Impairment of exploration	7	(937,602)	-
Loss before income tax		(3,489,942)	(1,667,266)
Income tax benefit	4	-	-
Loss for the year		(3,489,942)	(1,667,266)
Other comprehensive income/(loss) for the year		-	-
Total comprehensive loss for the year		(3,489,942)	(1,667,266)
Basic loss per share (cents per share)	21	(0.45)	(0.30)
Diluted loss per share (cents per share)	21	(0.45)	(0.30)

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

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

		Consolidated	
		2023	2022
	Note	\$	\$
Current Assets			
Cash and cash equivalents	5	3,329,590	1,853,737
Security deposits		-	178,615
Trade and other receivables	6	139,346	69,219
Total Current Assets		3,468,936	2,101,571
Non-Current Assets			
Exploration and evaluation expenditure	7	12,808,321	9,943,600
Plant and equipment	8	251,972	340,557
Other financial assets	9	34,474	51,100
Security deposits		178,445	-
Total Non-Current Assets		13,273,212	10,335,257
Total Assets		16,742,148	12,436,828
Current Liabilities			
Trade and other payables	10	323,035	306,134
Interest-bearing liabilities	11	-	8,408
Lease liability	12	99,508	87,282
Employee leave liabilities	13	55,692	50,863
Total Current Liabilities		478,235	452,687
Non-Current Liabilities			
Lease liability	12	86,458	172,595
Provisions	14	1,555,000	357,000
Total Non-Current Liabilities		1,641,458	529,595
Total Liabilities		2,119,693	982,282
Net Assets		14,622,455	11,454,546
Equity			
Issued capital	15	28,800,741	22,497,970
Reserves	16	4,512,188	4,157,108
Accumulated losses		(18,690,474)	(15,200,532)
Total Equity		14,622,455	11,454,546

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

SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023**

	Issued Capital	Share-Based Payments Reserve	Accumulated Losses	Total Equity
Consolidated	\$	\$	\$	\$
Balance at 01/07/2021	17,609,493	2,945,083	(13,533,266)	7,021,310
Total comprehensive income for the year				
Loss for the year	-	-	(1,667,266)	(1,667,266)
Total comprehensive loss for the year	-	-	(1,667,266)	(1,667,266)
Transactions with owners recorded directly into equity				
Share based payments	-	1,212,025	-	1,212,025
Issue of fully paid ordinary shares	5,162,000	-	-	5,162,000
Capital raising costs	(273,523)	-	-	(273,523)
Balance at 30/06/2022	22,497,970	4,157,108	(15,200,532)	11,454,546
Balance at 01/07/2022	22,497,970	4,157,108	(15,200,532)	11,454,546
Total comprehensive income for the year				
Loss for the year	-	-	(3,489,942)	(3,489,942)
Total comprehensive loss for the year	-	-	(3,489,942)	(3,489,942)
Transactions with owners recorded directly into equity				
Shares to be issued	319,500	-	-	319,500
Share based payments	-	355,080	-	355,080
Issue of fully paid ordinary shares	6,591,500	-	-	6,591,500
Capital raising costs	(608,229)	-	-	(608,229)
Balance at 30/06/2023	28,800,741	4,512,188	(18,690,474)	14,622,455

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

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023**

		Consolidated	
		2023	2022
	Note	\$	\$
Cash Flows from Operating Activities			
Payments to suppliers and employees		(1,227,490)	(1,036,978)
Interest received		-	5,935
Net Cash Used in Operating Activities	17(b)	<u>(1,227,490)</u>	<u>(1,031,043)</u>
Cash Flows from Investing Activities			
Payments for exploration expenditure		(3,928,517)	(4,045,068)
Payments for acquisition of investments		-	(12,500)
Payments for acquisition of plant and equipment		(11,698)	(66,020)
Transfers to term deposits		-	(27,500)
Proceeds from exploration rebate grant		138,813	-
Net Cash Used in Investing Activities		<u>(3,801,402)</u>	<u>(4,151,088)</u>
Cash Flows from Financing Activities			
Gross proceeds from share issues		6,591,501	5,162,000
Costs of share issues		(397,750)	(299,583)
Gross proceeds from shares to be issued		319,500	-
Repayment of finance lease	17	(8,506)	(18,714)
Net Cash Provided by Financing Activities		<u>6,504,745</u>	<u>4,843,703</u>
Net increase/(decrease) in cash and cash equivalents held		1,475,853	(338,428)
Cash and cash equivalents at the beginning of the financial year		1,853,737	2,192,165
Cash and cash equivalents at the end of the financial year	17(a)	<u>3,329,590</u>	<u>1,853,737</u>

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

SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sunshine Metals Limited is a Company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2023 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 2023.

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 2022 annual financial report except for the impact (if any) of new and revised standards and interpretations outlined below.

Standards and Interpretations applicable to 30 June 2023

In the year ended 30 June 2023, 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 METALS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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

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

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

(e) Income Tax

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

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

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

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

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

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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.

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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.

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 or 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 METALS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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.

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cashflows considering the potential default at any point during the life of the financial instrument. In calculating, the Group uses its historic experience, external indicators and forward-looking information to calculate expected credit losses.

(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.

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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

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

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.

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.

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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.

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 METALS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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

(k) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency. All figures presented in the financial report have been rounded to the nearest dollar.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

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

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

Controlled entities

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

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

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of profit or loss and other comprehensive income in the period in which the operation is disposed. The functional currency of the subsidiaries incorporated in the Philippines (refer Note 20) is the Philippine PESO.

SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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

(l) Cash and Cash Equivalents

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

(m) Revenue

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

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

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

(n) Goods and Services Tax (GST)

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

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

(o) Earnings/(Loss) per share

(i) Basic Earnings/(Loss) per share

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

(ii) Diluted Earnings/(Loss) per share

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

(p) Issued Capital

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

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

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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

(q) Plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Building improvements - lease term

Right of use assets - lease term

Plant and equipment - 5 to 7 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial period end.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income.

(r) Leases

At inception of a contract, the Company assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Company where the Company is a lessee. However, all contracts that are classified as short-term leases (i.e. a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Company uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- i. fixed lease payments less any lease incentives;
- ii. variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- iii. the amount expected to be payable by the lessee under residual value guarantees;
- iv. the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- v. payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date, as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the Company anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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

(s) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and usually paid within 30 days of recognition.

(t) 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 2023. 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.

(u) Critical Accounting Estimates and Judgments

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

Share-based payment transactions

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

Income tax

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

SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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

Incremental borrowing rate

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

Rehabilitation provision

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

Exploration and evaluation costs

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

NOTE 2: OTHER INCOME

	Consolidated	
	2023	2022
	\$	\$
Interest earned	-	5,934
Total	-	5,934

NOTE 3: EXPENSES AND GAINS/(LOSSES)

Significant Items

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

Included in corporate expenses

Accounting and administration fees	97,650	106,530
Consulting and directors fees	263,861	272,817
Share register maintenance and listing fees	84,859	75,079
Legal fees	103,348	2,049

SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 4: INCOME TAX

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

	Consolidated	
	2023	2022
	\$	\$
Loss before income tax	(3,489,942)	(1,667,266)
Income tax calculated at 30% (2022: 30%)	(1,046,983)	(500,180)
Add back:		
Provisions	422,289	57,014
Capital raising costs	(69,354)	(32,860)
Fair value loss on investment	4,988	48,420
Share-based payments	43,562	25,108
Capitalised exploration immediately deductible	(648,329)	(1,329,018)
Capitalised exploration written off	281,281	-
Other	-	927
Future income tax benefits not brought to account	1,012,546	1,730,589
Income tax expense/(benefit)	-	-
Deferred tax assets:		
Capital raising costs	760,355	383,307
Provisions	490,648	68,359
Carried forward tax losses (including foreign tax losses)	4,565,849	3,553,303
	<u>5,816,852</u>	<u>4,004,969</u>
Deferred tax liabilities:		
Capitalised exploration costs	2,677,691	2,029,361
	<u>2,677,691</u>	<u>2,029,361</u>

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.

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Consolidated	
	2023	2022
	\$	\$
NOTE 5: CASH AND CASH EQUIVALENTS		
Cash at bank	3,329,590	1,853,737
	<u>3,329,590</u>	<u>1,853,737</u>
NOTE 6: TRADE AND OTHER RECEIVABLES		
Current		
Goods and services tax	138,416	58,089
Other	930	11,130
	<u>139,346</u>	<u>69,219</u>
NOTE 7: EXPLORATION AND EVALUATION EXPENDITURE		
Balance at the beginning of the period	9,943,600	4,513,541
Acquisition of Sunshine (Triumph) Pty Ltd (formerly XXXX Gold Pty Ltd)	-	1,000,000
Non-refundable deposits paid for the Greater Lontown acquisition	375,000	-
Expenditure incurred during the period	3,427,323	4,430,059
Impairment of exploration assets ⁽ⁱ⁾	(937,602)	-
Balance at the end of the period	<u>12,808,321</u>	<u>9,943,600</u>

⁽ⁱ⁾ The Company intends to divest of the Hodgkinson and Investigator projects in due course as they are non-core to the future strategy and direction; and have therefore impaired the carrying value of \$937,602 at 30 June 2023.

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.

The terms of the Greater Lontown acquisition are set out in Note 25.

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

	Consolidated	
	2023	2022
	\$	\$
NOTE 8: PLANT AND EQUIPMENT		
At cost	408,697	382,529
Accumulated depreciation	(156,725)	(41,972)
	251,972	340,557
Plant and equipment		
Balance at the beginning of the period	81,850	39,011
Additions/(Disposals)	11,698	61,055
Depreciation expense	(22,239)	(18,216)
Balance at the end of the period	71,309	81,850
Right of use asset		
Balance at the beginning of the period	258,707	-
Additions/(Disposals)	14,470	273,925
Depreciation expense	(92,514)	(15,218)
Balance at the end of the period	180,663	258,707
NOTE 9: OTHER FINANCIAL ASSETS		
Non Current		
Unlisted investments at fair value (note 24):		
Shares in other entities ⁽ⁱ⁾ (fair value through profit or loss)	34,474	51,100
	34,474	51,100
(i) As at 30 June 2023, the Group held 6,250,000 shares in Cockatoo Iron Pty Ltd as a result of the sale of the Cockatoo Island Project in a prior year.		
NOTE 10: TRADE AND OTHER PAYABLES		
Trade payables and accrued expenses	323,035	306,134
	323,035	306,134

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

	Consolidated	
	2023	2022
	\$	\$
NOTE 11: INTEREST BEARING LIABILITIES		
Current	-	8,408
	<u>-</u>	<u>8,408</u>
NOTE 12: LEASE LIABILITY		
Office operating lease		
Current	99,508	87,282
Non-Current	86,458	172,595
	<u>185,966</u>	<u>259,877</u>
The office lease began in May 2022 and is for a period of three years.		
NOTE 13: EMPLOYEE LEAVE LIABILITIES		
Annual leave entitlements	55,692	50,863
	<u>55,692</u>	<u>50,863</u>
NOTE 14: PROVISIONS		
Provision for rehabilitation	1,555,000	357,000
	<u>1,555,000</u>	<u>357,000</u>

Provision for rehabilitation

The provision for the estimated costs to rehabilitate historical mining areas has been on a closure cost estimate methodology prepared by experienced mine closure consultants. The responsibility for and the amount of the obligation are subject to ongoing review and do not take into account commercial factors that could significantly reduce the actual work required and the cost of doing so. These factors are discussed in detail below.

In 2002, the Company acquired the mineral assets of Nugold Hill Mines Limited (“Nugold”) pursuant to an acquisition agreement. The acquisition included the Xanadu Gold Project which comprised three mining leases and an exploration license (“Xanadu”). The Xanadu tenements were relinquished by the Company in 2009 and were subsequently acquired and explored by third parties thereafter. As a consequence of mining operations undertaken by Nugold prior to the Company’s acquisition of Xanadu, there exists an obligation to rehabilitate the site of the historical mining activities. The Company has a security bond of \$114,000 in place with the Department of Mines, Industry, Regulation and Safety (“DMIRS”). Mine closure consultants have provided a report to the Company which includes a costed plan to rehabilitate Xanadu as required by DMIRS. The costed plan forms the basis of the provision for rehabilitation.

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 14: PROVISIONS (continue)

The Company reserves its rights in relation to the rehabilitation obligation, if any. It should be noted that:

- the Company is undertaking a legal review to determine whether rehabilitation obligations were part of the Nugold acquisition;
- the Company is undertaking a review to determine what rehabilitation obligations arose from third party activities in the period from relinquishment in 2009 to 30 June 2023;
- the Company has not accepted the scope of the DMIRS rehabilitation obligations;
- Xanadu is subject to active exploration by third parties which may reduce the need for rehabilitation due to potential future mining activities;
- the rehabilitation obligation as estimated by using the DMIRS Rehabilitation Liability Estimate Calculator in the previous financial year was \$357,000; and
- the costed plan does not consider the above factors and is subject to change.

Notwithstanding the above, the directors have taken a conservative approach and made provision for the closure cost estimate prepared by the mine closure consultants.

Consolidated	
2023	2022
\$	\$

NOTE 15: ISSUED CAPITAL

(a) Issued Capital

959,156,064 Ordinary shares fully paid (2022: 619,722,730)	28,800,741	22,497,970
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(b) Movements in ordinary share capital of the Group:

Date	Details	No. of Shares	\$
01/07/2021	Opening balance	444,711,618	17,609,493
27/09/2021	Placement	104,111,112	4,685,000
29/11/2021	Director placement	7,000,000	315,000
30/11/2021	Option exercise	5,400,000	162,000
01/04/2022	Performance rights vesting (d)	8,500,000	-
01/04/2022	Deferred shares vesting (c)	50,000,000	-
	Less: capital raising costs	-	(273,523)
30/06/2022	Closing balance	619,722,730	22,497,970
01/07/2022	Opening balance	619,722,730	22,497,970
22/08/2022	Placement	140,200,000	3,505,000
02/12/2022	Director placement	9,800,000	245,000
15/05/2023	Placement – Tranche 1	189,433,334	2,841,500
	Placement – Tranche 2 Shares to be issued	-	319,500
	Less: capital raising costs	-	(608,229)
30/06/2023	Closing balance	959,156,064	28,800,741

SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 15: ISSUED CAPITAL (continued)

(c) Deferred Shares

As part of the consideration for the acquisition of Sunshine (Triumph) Pty Ltd (formerly XXXX Gold Pty Ltd), the Company issued:

- (a) 50,000,000 Deferred Shares on the Company announcing to ASX by 11 December 2023 that it has an 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 Sunshine (Triumph) Pty Ltd (formerly XXXX Gold Pty Ltd) at the time of completion; and
- (b) further 50,000,000 Deferred Shares on the Group announcing to ASX by 11 December 2023 that it has an 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 Sunshine (Triumph) Pty Ltd (formerly XXXX Gold Pty Ltd) at the time of completion.

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

At date of issue, the Deferred Shares subject to the achievement of the 200,000 ounces of gold or gold equivalent hurdle are not expected to be issued.

(d) Performance Rights

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

- (a) Tranche 1 – 50% of the rights will vest on the Company announcing to ASX by 30 September 2023 that it has a Resource of 100,000 ounces of gold on tenements owned or being acquired or applied for by Sunshine (Triumph) Pty Ltd (formerly XXXX Gold Pty Ltd) at the time of completion; and
- (b) Tranche 2 – 50% of the rights will vest on the Company announcing to ASX by 30 September 2023 that it has Resource of 200,000 ounces of gold on tenements owned or being acquired or applied for by Sunshine (Triumph) Pty Ltd (formerly XXXX Gold Pty Ltd) at the time of completion.

On 31 March 2022, the Company announced an initial Resource at the 100% owned Triumph Gold Project totalling 1.8 million tonnes at 2.03 g/t for 118 koz of contained gold. As a result, 8,500,000 Performance Rights vested and were converted into fully paid ordinary shares. During the 2022 financial year, the Company recognized a share-based payment expense of \$170,000 relating to the Tranche 1 Performance Rights that vested which has been recorded in the share-based payment reserve.

At date of issue, no value has been ascribed to the Tranche 2 Performance Rights as the achievement of the hurdle is not expected to be realised.

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 15: 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 2023 (2022: Nil).

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 16: RESERVES

	Consolidated	
	2023	2022
	\$	\$
(a) Composition		
Share-based payments reserve	4,512,188	4,157,108
	4,512,188	4,157,108

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

Date	Details	No. of Unlisted Options	Exercise Price	Expiry Date
01/07/21	Opening balance	72,000,000		
01/10/21	Employee options	1,000,000	\$0.07	31/07/2024
30/11/21	Option exercise	(5,400,000)	\$0.03	30/09/2025
09/12/21	Employee options	700,000	\$0.07	31/07/2024
30/06/2022	Closing balance	68,300,000		
01/07/2022	Opening balance	68,300,000		
23/06/2023*	Lead manager options	20,000,000	0.0225	07/07/2027
	Director options	20,000,000	0.0225	30/06/2027
30/06/2023	Closing balance	108,300,000		

* These options were approved by shareholders on 23 June 2023 and issued on 7 July 2023

Refer to Note 27 for details of options issued during the year ended 30 June 2023.

SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 15: ISSUED CAPITAL (continued)

(c) Nature and Purpose of Reserves

Share-Based Payments Reserve

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

NOTE 17: NOTES TO THE STATEMENT OF CASH FLOWS	Consolidated	
	2023	2022
	\$	\$
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)	3,329,590	1,853,737
b) Reconciliation of net cash and cash equivalents used in operating activities to loss for the year:		
Loss for the year	(3,489,942)	(1,667,266)
Depreciation expense	114,753	33,434
Impairment of investments	16,626	161,400
Impairment of exploration	937,602	-
Rehabilitation expense	1,198,000	-
Share based payment expense	145,208	212,025
Movements in assets and liabilities:		
(Increase)/Decrease in trade and other receivables	(70,127)	22,492
(Increase)/Decrease in other assets	-	43,378
Increase/(Decrease) in lease liabilities	(73,914)	-
Increase/(Decrease) in trade and other payables	(5,696)	163,494
Net cash used in operating activities	(1,227,490)	(1,031,043)
c) Non-cash investing and financing activities		

The Company granted options to directors and the lead manager as part of their remuneration during the year ended 30 June 2023. These options were issued post-30 June 2023. Refer notes 25 and 27.

SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 18: KEY MANAGEMENT PERSONNEL

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

(a) Compensation of Key Management Personnel

	Consolidated	
	2023	2022
	\$	\$
Compensation by category:		
Short-term	415,158	398,954
Post-employment	32,252	29,096
Termination benefit	-	-
Share based payment	145,210	170,000
	592,620	598,050

(b) Transactions with Key Management Personnel

There were no transactions with key management personnel during the year ended 30 June 2023.

NOTE 19: REMUNERATION OF AUDITORS

	Consolidated	
	2023	2022
	\$	\$
Audit services – HLB Mann Judd	39,154	37,637
	39,154	37,637

NOTE 20: INTEREST IN SUBSIDIARIES

(a) Information about Principal Subsidiaries

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

	Country of Incorporation	Equity Interest	
		2023	2022
		%	%
Sunshine (Triumph) Pty Ltd (formerly XXXX Gold Pty Ltd)	AUS	100	100
Sunshine (Ravenswood) Pty Ltd (formerly Ukalunda Pty Ltd)	AUS	100	100
Sunrise Exploration Pty Ltd	AUS	100	100
Sunshine Minerals Pty Ltd	AUS	100	100
Sunpacific Resources Philippines, Inc.	PHP	100	100
Sunrom Philippines Holdings Corp'n.	PHP	100	100

SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 21: LOSS PER SHARE

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

	Consolidated	
	2023	2022
	\$	\$
Loss used in calculating basic and diluted loss per share	(3,489,942)	(1,667,266)
	Number of	Number of
	Shares	Shares
Weighted average number of ordinary shares used in calculating:		
Basic loss per share	770,007,022	546,417,950
Diluted loss per share	770,007,022	546,417,950

NOTE 22: COMMITMENTS FOR EXPENDITURE

	2023	2022
	\$	\$
Minimum exploration expenditure:		
- Not later than 1 year	1,170,000	460,000
- Between 1 year and 5 years	3,165,500	2,585,000
Finance Lease repayments:		
- Not later than 1 year	-	8,506
- Between 1 year and 5 years	-	-

NOTE 23: SEGMENT INFORMATION

Business Segments

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

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

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 24: RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Cash Flow Interest Rate Risk

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

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

The following tables set out the carrying amount by maturity of the Group's exposure to interest rate risk and the effective weighted average interest rate for each class of these financial instruments. There were no fixed interest rate financial assets held by the Group (2022: nil).

2023	Non Interest Bearing \$	Weighted Average Effective Interest Rate %	Floating Interest Rate \$	Fixed Interest Rate \$	Total \$
Financial Assets					
- Cash and cash equivalents	3,329,590	-	-	-	3,329,590
- Deposits held	-	-	178,445	-	178,445
- Other receivables	701	-	-	-	701
- Unlisted investments	34,474	-	-	-	34,474
Total Financial Assets	3,364,765		178,445	-	3,543,210
Financial Liabilities					
- Trade creditors	323,035	-	-	-	323,035
- Lease liability	-	6	-	185,966	185,966
Total Financial Liabilities	323,035		-	185,966	509,001
Net Financial Assets / (Liabilities)	3,041,730		178,445	(185,966)	3,034,209

SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 24: RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Cash Flow Interest Rate Risk

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

Interest Rate Sensitivity

The Group's exposure to interest rate risk at balance date is immaterial.

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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

Liquidity Risk

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

	Consolidated	
	2023	2022
	\$	\$
Contracted maturities of undiscounted liabilities at 30 June		
Payables		
- less than 30 days	323,035	306,134
- less than 12 months	-	-
Loans other parties		
- less than 12 months	-	8,408
- greater than 12 months	-	-
Lease liability		
- less than 12 months	107,422	100,000
- between 1 to 2 years	89,510	100,000
- between 2 to 5 years	-	83,333
	<u>519,967</u>	<u>597,875</u>

Market Price Risk

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

The Group is exposed to market price risk arising from investments in other companies carried at fair value. At 30 June 2023, 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 \$3,447 (2022: \$5,110) lower/higher. The Group holds shares in Cockatoo Iron NL which is unlisted and 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.

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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

Financial Instruments

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

30 June 2023	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Equity investments at FVTPL	-	-	34,474	34,474

30 June 2022	Level 1	Level 2	Level 3	Total
<i>Asset</i>	\$	\$	\$	\$
Equity investments at FVTPL	-	-	51,100	51,100

Valuation techniques

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

Fair Value Hierarchy

Level 3

Fair value through FVTPL

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

NOTE 25: EVENTS SUBSEQUENT TO REPORTING PERIOD

On 5 July 2023, the Company changed its name to Sunshine Metals Limited as approved at the general meeting of shareholders held on 23 June 2023.

On 7 July 2023, the Company issued the following securities that were approved at the general meeting of shareholders held on 23 June 2023:

- 49,566,666 shares at \$0.015 each to raise \$743,500 which was part of the Tranche 2 Placement;
- 20,000,000 unlisted options exercisable at \$0.0225 each expiring on 30/06/2027 to directors; and
- 20,000,000 unlisted options exercisable at \$0.0225 each expiring on 7/7/2027 to the lead manager of the placement undertaken in May 2023.

On 12 July 2023, the Company issued 1,000,000 shares at \$0.015 each to raise \$15,000 as part of the Tranche 2 Placement.

On 2 August 2023, the Company issued 4,933,334 unlisted options exercisable at \$0.0225 each expiring on 30 June 2027 to employees.

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 25: EVENTS SUBSEQUENT TO REPORTING PERIOD *(continued)*

On 6 September 2023, the Group completed the Greater Lontown transaction which related to the acquisition of 16 tenements in two separate transactions with unrelated, third parties adjacent to the Ravenswood West project. Consideration payable for the acquisition is set out below.

	Cromarty	Hebrides
Cash Payments		
Non-Refundable Deposit paid	\$400,000	\$25,000
Cash Paid on Completion	\$2,100,000	\$225,000
Deferred Cash – 31 October 2023	\$500,000	-
Total Cash Payments	\$3,000,000	\$250,000
Milestone Payments		
- \$1m of Production Revenue	\$1,000,000	-
- \$1m of Production Revenue + 1 Year	\$1,000,000	-
Total Milestone Payments	\$2,000,000	-
Total Consideration	\$5,000,000	\$250,000

On 21 September 2023, the Group announced that it had secured commitments for a placement of \$3.0 million (before costs) at an issue price of \$.014 per share with one attaching option for every three new shares exercisable at \$.03 expiring 30 September 2025. Funds from the placement were received on 26 September 2023.

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

NOTE 26: CONTINGENT LIABILITIES

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

NOTE 27: SHARE BASED PAYMENTS

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

- 20,000,000 unlisted options exercisable at \$0.0225 each expiring on 30 June 2027 were approved by shareholders on 23 June 2023 and issued to directors on 7 July 2023; and
- 20,000,000 unlisted options exercisable at \$0.0225 each expiring on 7 July 2027 were approved by shareholders on 23 June 2023 to the lead manager of the placement undertaken in May 2023.

All share options issued during the year vested immediately. The total amount of \$145,208 (2022: \$42,025) was recognised as a share-based payment expense, \$209,872 (2022: \$nil) was recognised as a capital raising cost and \$Nil (2022: \$1,000,000) was recognised as consideration paid on the acquisition of Sunshine (Triumph) Pty Ltd (formerly XXXX Gold Pty Ltd).

SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 27: SHARE BASED PAYMENTS (continued)

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

Measurement date	23/6/2023	15/5/2023
Issue date	7/7/2023	7/7/2023
Expiry date	30/6/2027	7/7/2027
Dividend yield	Nil	Nil
Expected volatility	90%	90%
Risk-free interest rate	3.84%	3.84%
Expected life of options (years)	4 years	4 years
Underlying share price	\$0.013	\$0.017
Option exercise price	\$0.0225	\$0.0225
Value of option	\$0.00726	\$0.01049
Number of options issued	20,000,000	16,000,000
Value of options	\$145,208	\$209,872
Amount expensed during the year	\$145,208	-
Amount recognised in equity during the year	-	\$209,872

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

	Weighted average exercise price 2023	Number of Options 2023	Weighted average exercise price 2022	Number of Options 2022
Outstanding at 1 July	\$0.03	68,300,000	\$0.03	72,000,000
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	\$0.03	(5,400,000)
Expired during the year	-	-	-	-
Granted during the year	\$0.0225	40,000,000	\$0.07	1,700,000
Outstanding at 30 June	<u>\$0.0274</u>	<u>108,300,000</u>	<u>\$0.03</u>	<u>68,300,000</u>
Exercisable at 30 June	<u>\$0.03</u>	<u>68,300,000</u>	<u>\$0.03</u>	<u>68,300,000</u>

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 27: SHARE BASED PAYMENTS *(continued)*

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

	Weighted average exercise price 2023	Number of Options 2023	Weighted average exercise price 2022	Number of Options 2022
Outstanding at 1 July	\$0.03	68,300,000	\$0.03	72,000,000
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	\$0.03	(5,400,000)
Expired during the year	-	-	-	-
Granted during the year	\$0.0225	40,000,000	\$0.07	1,700,000
Outstanding at 30 June	<u>\$0.0274</u>	<u>108,300,000</u>	<u>\$0.03</u>	<u>68,300,000</u>
Exercisable at 30 June	<u>\$0.03</u>	<u>68,300,000</u>	<u>\$0.03</u>	<u>68,300,000</u>

NOTE 28: PARENT ENTITY DISCLOSURES

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

(a) Financial Position

	2023 \$	2022 \$
Current Assets	3,429,816	1,927,913
Total Assets	15,080,912	13,451,644
Current Liabilities	101,457	75,154
Total Liabilities	458,457	432,154
Equity		
Issued capital	28,800,741	22,497,970
Reserves	4,512,188	4,157,108
Accumulated losses	<u>(18,690,474)</u>	<u>(13,635,588)</u>
Total Equity	<u>14,622,455</u>	<u>13,019,490</u>

(b) Financial Performance

Profit/(Loss) for the year	(5,054,886)	(1,188,906)
Other comprehensive income	-	-
Total Comprehensive Profit/(Loss)	<u>(5,054,886)</u>	<u>(1,188,906)</u>

(c) Guarantees

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

SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 28: PARENT ENTITY DISCLOSURES *(continued)*

(d) Contingent liabilities

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

(e) Commitments for expenditure

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

(f) Recoverability of non-current assets

The recoverability of non-current assets is dependent upon the discovery of commercially viable reserves and successful development and exploitation of the respective areas or alternatively sale of the underlying areas of interest (exploration and evaluation).

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SUNSHINE METALS 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 2023 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 2023.

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



Alec Pismiris

Director

Dated this 27th day of September 2023

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INDEPENDENT AUDITOR'S REPORT

To the Members of Sunshine Metals Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Sunshine Metals Limited ("the Company") and its controlled entities ("the Group"), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 2023 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 (including Independence Standards)* ("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.

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Key Audit Matter	How our audit addressed the key audit matter
<p>Exploration and evaluation assets Refer to note 7</p> <p>In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, the Group capitalises all costs associated with acquisition and exploration of its mineral resources. As at 30 June 2023, the Group held capitalised exploration assets of \$12,808,321. During the year, the Group wrote-off the Hodgkinson and Investigator assets in Queensland, resulting in \$937,602 of impairment expense.</p> <p>Our audit focused on the Group's assessment of the carrying amount of the capitalised exploration and evaluation assets, as this is the most significant asset of the Group. We planned our work to address the audit risk that the capitalised expenditure may no longer meet the recognition criteria of the standard. Additionally, we considered it necessary to assess whether facts and circumstances existed to suggest the carrying amount of the exploration and evaluation assets may exceed their recoverable amounts.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> – We obtained an understanding of the key processes associated with management's review of the carrying values of each area of interest; – We considered management's assessment of potential impairment indicators in addition to making our own assessment. This included reviewing the basis for management's impairment of the Hodgkinson and Investigator assets; – We obtained evidence that the Group has current rights to tenure over its areas of interest; – We considered the nature and extent of planned ongoing activities; – We substantiated a sample of expenditure by agreeing to supporting documentation; and – We examined the disclosures made in the financial report.
<p>Site rehabilitation provision Refer to note 14</p> <p>As at 30 June 2023, the carrying value of the Group's site rehabilitation provision was \$1,555,000.</p> <p>The Group's provision for rehabilitation is material to the financial statements and requires significant estimates of future costs.</p> <p>The determination of the provision requires management's judgement in relation to estimating the costs of performing the work required, including volume and unit rates, the timing of cash flows and the appropriate inflation and discount rates.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> – We assessed the competence and objectivity of the expert used by management in the preparation of the cost model. – We evaluated management's cost model and critically assessed the reasonableness of key assumptions and their impact, including inflation and discount rates. – We assessed the expected timing of cash flows for restoration works. – We recalculated the value of the adjustment raised to the rehabilitation provision. – We assessed the appropriateness of the disclosures included in the relevant notes to the financial report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, 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, actions taken to eliminate threats or safeguards applied.

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 2023.

In our opinion, the Remuneration Report of Sunshine Metals Limited for the year ended 30 June 2023 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 2023



D I Buckley
Partner

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Sunshine Metals Limited for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Perth, Western Australia
27 September 2023



D I Buckley
Partner

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SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

ASX ADDITIONAL INFORMATION

QUOTED SECURITIES

(a) ORDINARY FULLY PAID SHARES

(i) DISTRIBUTION OF SHAREHOLDERS AS AT 21 SEPTEMBER 2023:

SPREAD OF HOLDINGS	NO. OF HOLDERS	NO. OF SHARES	PERCENTAGE OF ISSUED CAPITAL %
1 – 1,000	61	20,425	0.00%
1,001 - 5,000	37	104,178	0.01%
5,001 - 10,000	61	525,764	0.05%
10,001 - 100,000	480	24,383,225	2.41%
100,001+	595	984,689,138	97.52%
	1,234	1,009,722,730	100.00%

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

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

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

NAME	NO. OF ORDINARY SHARES HELD	PERCENTAGE OF ISSUED SHARES %
1 SNOWBALL 3 PTY LTD <ANTONIO TORRESAN SUPER A/C>	54,000,000	5.35%
2 STONE PONEYS NOMINEES PTY LTD <CHAPMAN SUPER FUND A/C>	53,900,000	5.34%
3 MR LESLIE BRIAN DAVIS & MRS ANNETTE FAY DAVIS <LB & AF DAVIS SUPER FUND A/C>	41,673,333	4.13%
4 MR DAMIEN LESLIE KEYS & MRS AMY DAWN KEYS <THE ADK FAMILY A/C>	36,300,000	3.60%
5 MONSLIT PTY LTD <ANTHONY TORRESAN A/C>	31,666,667	3.14%
6 P D CRUTCHFIELD PTY LTD <CRUTCHFIELD SUPER FUND A/C>	25,156,463	2.49%
7 TRI-STAR E&P PTY LTD	20,000,000	1.98%
7 PARETO NOMINEES PTY LTD <THE DAMELLE A/C>	20,000,000	1.98%
8 CAMPBELL KITCHENER HUME & ASSOCIATES PTY LTD <C K H SUPERFUND A/C>	19,409,149	1.92%
9 MR JOE LEUZZI & MRS SALLY LEUZZI	18,500,000	1.83%
10 MR KENNETH GATCHALIAN	16,062,244	1.59%
11 TOPAZE ENTERPRISES PTY LTD <GBM A/C>	15,000,000	1.49%
11 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSI EDA	15,000,000	1.49%
11 MR ROGER BLAKE & MRS ERICA LYNETTE BLAKE <THE MANDY SUPER FUND A/C>	15,000,000	1.49%

SUNSHINE METALS LIMITED AND CONTROLLED ENTITIES

12	PARKRANGE NOMINEES PTY LTD	13,928,889	1.38%
13	IONA COMPANY PTY LTD <IONA FAMILY A/C>	13,200,000	1.31%
14	BUDWORTH CAPITAL PTY LTD <ROLLING HILLS CAPITAL A/C>	13,000,000	1.29%
15	PARETO CAPITAL PTY LTD	12,000,000	1.19%
16	ACP INVESTMENTS PTY LTD	11,000,000	1.09%
17	CITICORP NOMINEES PTY LIMITED	10,869,878	1.08%
18	DF LYNTON-BROWN PTY LTD <DF LYNTON-BROWN P/L S/F A/C>	10,000,000	0.99%
19	DARLOT INVESTMENTS PTY LTD <JONES SUPER FUND A/C>	9,000,000	0.89%
20	MR PHILIP DAVID CRUTCHFIELD	8,570,100	0.85%
	Total	483,236,723	47.86%
	Total issued capital - selected security class(es)	1,009,722,730	100.00%

(iii) VOTING RIGHTS

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

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

(iv) SUBSTANTIAL SHAREHOLDERS

Name	Ordinary Shares	
	No.	%
Torresan Group	85,666,667	8.48
Stone Poneys Nominees Pty Ltd	53,900,000	5.34
	139,566,667	13.82

(b) UNQUOTED SECURITIES

(i) UNLISTED OPTIONS ON ISSUE

Options exercisable at \$0.03 expiring 30 September 2025	65,600,000
Options exercisable at \$0.03 expiring 2 November 2025	1,000,000
Options exercisable at \$0.07 expiring 31 July 2024	1,700,000
Options exercisable at \$0.0225 expiring 7 July 2027	20,000,000
Options exercisable at \$0.0225 expiring 30 June 2027	24,933,334

(ii) PERFORMANCE RIGHTS

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

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

CORPORATE GOVERNANCE STATEMENT

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

The 2023 corporate governance statement was approved by the board on 27 September 2023 and is current as at 27 September 2023. A description of the Group's current corporate governance practices is set out in the Group's Corporate Governance Statement which can be viewed at www.shngold.com.au/investor-centre/corporate-governance/.

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