

SunMirror AG

Management Report

for the

year ended 30 June 2021

1 Fundamental information about the company

1.1 General information

SunMirror AG (“SunMirror” or “the Company”) is incorporated and domiciled in Zug, Switzerland under CHE-395.708.464 and was incorporated in 2014 under the name Dynastar AG. The shares are listed under ISIN CH0396131929 on the regulated unofficial market in Duesseldorf, Germany and Vienna, Austria. The company changed its name to SunMirror AG (formerly Dynastar AG) on 31 August 2020. The address of its registered office and principle place of business is Steinhauserstrasse 74, Zug, Switzerland.

1.2 Business activities

The Company’s focus is on (majority) acquisitions in mineral exploration companies in developed countries with the most attractive mining jurisdictions, in particular Western Australia, with a specific focus on battery metals, iron ore and gold deposits.

In 2020 the Group (see section 2.2.4 below) started its activities in the raw material sector and is in the early stage of exploration activities. The current business activities of SunMirror Group consist merely of exploration (i.e., the search for and development of economically viable reserves of mineral resources) and holding rights for potential royalties in this sector. Subject to a successful exploration program SunMirror Group also plans to be active in the field of the development, mining, and extraction of mineral resources in the future.

1.3 Objectives and strategies

SunMirror seeks to acquire mineral assets that have seen at least some work from the previous owners and operators. This strategy provides SunMirror with baseline information to estimate the potential likelihood of encountering further encouraging results, as well as a starting point from which to direct the next phases of work; and consequently, reduce the risk of SunMirror not being able to deliver encouraging future project results.

It is also the strategy of the Company to pursue opportunistic acquisitions of new mineral resources in developed countries (such as Australia and parts of Europe and North America). By focusing on mineral assets in these more developed countries, management of SunMirror hope to avoid typical expropriation and political risk associated with mineral assets in undeveloping countries.

SunMirror's acquisition strategy is to acquire majority stakes (apart from potential royalty opportunities).

1.4 Research and development

Since the business model of SunMirror does not require any research and development activities, it can mainly operate adopting commonly used best practices in its core business areas, and as such there are no current research and development activities apart from its ongoing mineral exploration programs.

1.5 Operating activities

The Group invests into pre-production mineral exploration assets with a focus on battery metals, iron ore and gold deposits for the purpose of evaluation and exploration with the aim to either produce minerals at a later stage or sell those properties. The Group currently holds three assets:

- **Moolyella:** The Group holds an exploration license granted on 23 December 2020 for a term of five years for an area of approx. 92.773 square kilometers in Moolyella, located in Northwestern Australia, which the Group believes has a robust potential for lithium-bearing pegmatites. The property is an early-stage exploration project with no mineral resources defined.
- **Kingston-Keith:** The Group holds an exploration license granted on 9 March 2020 for a period of five years for an area of approx. 152 square kilometers in the Kingston-Keith/Mt. Keith area, situated in a prolific gold and nickel production district in central Western Australia, which the Group believes have good potential for gold and nickel. The property is an exploration project with no mineral resources defined.
- **Cape Lambert:** The Group holds a royalty over possible future mine production from the MCC Australia Sanjin Mining Pty Ltd's retention license on their Cape Lambert magnetite project covering an area of approx. 83.68 square kilometers in the Cape Lambert region in Western Australia.

Public reports and technical assessments are prepared in accordance with the Australasian Code for Public Reporting of technical assessments and valuations of mineral assets ("VALMIN Code"), the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code") or the Canadian National Instrument 43-101 Standards of Disclosure for Mineral Projects are available for the exploration assets of the Group.

The VALMIN Code and the JORC Code both provide a set of fundamental principles, mandatory requirements and supporting recommendations accepted as representing good professional practice to assist in the preparation of public reports, technical assessment or valuation of mineral assets. The National Instrument 43-101 requires substantially more technical disclosure to the market than the equivalent JORC Code, because the JORC Code is primarily a code for reporting the status of a mineral resource, whereas the National Instrument 43-101 is a code of securities disclosure. The JORC Code is derived from the Joint Ore Reserves Committee, an independent mineral industry body formed from industry professional associations. The National Instrument 43-101 is a code derived from the Canadian Securities Authorities.

No feasibility study or pre-feasibility study has been published on the exploration assets of the Group. Pre-feasibility studies are intended to determine whether a mineral resource is likely to support a viable mining project and is a key intermediate step in the assessment of a mining project. Feasibility studies determine whether to proceed with a mining project into the detailed engineering and construction stage. Feasibility studies generally concentrate on mine size and configuration, seeking to establish technical and economic viability within the accuracy limits (20-30%) of the available data.

1.5.1 Moolyella

Lithium 1 Pty Ltd (“Lithium 1”), an indirect fully owned subsidiary of the Company, holds an exploration license granted on 23 December 2020 for a term of five years for an area of approx. 92.773 square kilometers in Moolyella. There is a committed expenditure of AUD 29,000 for each 12 months period from December to December. In addition, there is a rent of approx. AUD 4,000 per annum. The license was issued primarily for lithium (Li) and tin (Sn) and associated elements including beryllium (Be), niobium (Nb), rubidium (Rb), tantalum (Ta) and rare earth elements (REE), and secondary mineralization for zinc (Zn), lead (Pb), silver (Ag), and gold (Au). If the project proves to be economic, the government will levy a royalty on the project of 2.5% for tin, and 5.0% for Li and Ta (and the metallic minerals if sold as a concentrate).

Moolyella is in the Pilbara Mineral Field 18 km east of Marble Bar and 157 km southeast of Port Hedland in the Northwest of Western Australia (“Pilbara”). One of the largest regions in Western Australia, the Pilbara covers approximately 508,000 square kilometers. The Pilbara's iron ore and liquefied natural gas industries are valued at over AUD 70 bn, representing more than 70% of mineral and energy production in Western Australia (Source: Department of Primary Industries and regional Development, retrieved from <http://www.drd.wa.gov.au/regions/Pages/Pilbara.aspx>).

Based on the Moolyella Competent Person's Report, data in respect of the area covered by the Moolyella exploration license is summarized as follows:

- Alluvial cassiterite (SnO_2) was first identified in the Moolyella area in 1898 during exploration for alluvial and bedrock gold. Mining took place from 1898 until 1986 in the ore field, with a few brief hiatuses, and it is estimated that nearly 8,000 tons of tin concentrate was recovered. The tin grades at Moolyella, 2.40 kg/m³, represent some of the highest alluvial tin grades in the world. Approx. 141 tons of tantalite ((Fe,Mn)Ta₂O₆) ore and concentrates were also recovered in these operations, confirming the presence of tantalum in the area. Mining and exploration focused exclusively on tin.
- In 2011, the first exploration for lithium on the license was conducted while exploring for tin. Lithium-bearing pegmatites were identified in outcrops at Pegmatite Gully and Eluvial Gully with the two highest lithium concentrations of 1.25% and 1.06% Li₂O. A 19-hole follow-up reverse circulation (RC) drilling program in 2012 in the same area confirmed the presence of lithium pegmatites at depth. Most holes contained short (1 to 6 m) intercepts of mineralization greater than 0.15% Li₂O, with the highest-grade interval being 3 m @ 0.30% Li₂O (from 55 m) in drillhole NERC005. In 2014, limited exploration was conducted, including reanalysis of earlier reject samples, and outcrop sampling of lepidolite-bearing pegmatites. The best assay results returned 1.98%, 0.75% and 0.15% Li₂O from the Pegmatite Gully area. The last exploration on the license was in 2018, when the license holder reported the results from pegmatite outcrop sampling that returned one sample with 0.98% Li₂O.
- Since being awarded the Moolyella license in December 2020, the Group has not performed any exploration work on the property yet.
- Based on reviews of historic exploration, the Moolyella license is considered highly prospective for the presence of additional lithium-bearing pegmatites. A two-stage, contingent, work program has been recommended for the property. A work program consisting of remote sensing structural/alteration study, geological mapping, mineralogical studies, lithochemical sampling, airborne geophysical (magnetic, radiometric) surveying, and limited auger drilling are proposed for phase one. Additional reverse circulation (RC) drilling has been proposed for phase two.
- No mineral resource estimate is included, and no mineral resource is defined.
- The settlement of Marble Bar (population of approx. 172 in 2020) is located 18 km to the east of the license and is on the paved 138 highway. This highway bisects the southern part of the license, and the access to the western and southern parts are via unpaved tracks. Marble Bar boasts a 1,200 m paved runway, which is generally used for charter flights to service the nearby goldfields. The distance from Marble Bar to the deep-water port and container terminal at Port Hedland is approx. 200km via the paved 138 highway and National Highway 1.

In May 2021, the Group purchased the entire geological database from the previous exploration company that held the Moolyella project. Just under 1 GB of data is currently being reviewed and will be used to plan and execute a detailed exploration program moving forward.

In July 2021, a field visit was carried out by a geological team from Geonomik Pty. Ltd. The team spent just under two weeks on the license, collecting rock and soil samples, as well as mapping the various outcropping pegmatite horizons. A full site visit report is expected by the end of year 2021 and will include assays and a mineralogical report on samples collected. An initial site report is available on the website of SunMirror AG (<https://sunmirror.com/pdfs/MOOLYELLA%20FIELD%20ASSESSMENT%20REPORT%2025082021%20Version%207.pdf>).

1.5.2 Kingston-Keith

Lithium 1 holds an exploration license granted on 9 March 2020 for a period of five years for an area of approx. 152 square kilometers in the Kingston-Keith/Mt. Keith area, situated in a prolific gold and nickel production district in central Western Australia, 450km north of Kalgoorlie. The exploration license was granted to the previous owner Duketon Consolidated Pty Ltd., which was acquired by Lithium 1 in September 2019. There is an annual expenditure commitment of AUD 60,000.

Based Kingston-Keith Competent Person's Report, information on the area covered by the Kingston Keith exploration license:

- The project is at the exploration stage of development with no mineral resources defined.
- Several prospects have been defined including the Kingston and Enterprise gold workings. Total production of these is recorded as 5,222 ounces of gold. Underground geological mapping and sampling of old gold workings by previous exploration companies determined that the historical mining followed north plunging high grade ore shoots within a north trending steeply dipping siliceous and ferruginous shear zone within a mafic volcanic, intrusive, and sedimentary sequence where gold is hosted within quartz veins and splays off the main veins. Gold is structurally controlled, occupying northerly-trending, steeply west-dipping shear zones. Gold is present in both quartz lenses and in sheared sedimentary rocks, with multiple ore shoots.
- In addition to its gold endowment, the Agnew-Wiluna Greenstone Belt is also host to world class nickel deposits, including the Mount Keith, Honeymoon Well, Jericho, Cliffs, Yakabindie, Cosmos, Rockys Reward, Harmony and Perseverance nickel sulphide deposits. These are all located in a narrow band of ultramafic rocks which occurs immediately west of the project's western boundary. Both open cut and underground nickel mines have exploited these deposits since the 1970's with nickel processing plants located at Mount Keith and Leinster. For much of the last 50 years, nickel companies have held most of the ground in the area, so gold explorers have been generally unable to peg tenements within the belt. Nickel miners have focused on nickel

exploration, generally ignoring gold. This has resulted in less gold exploration work being undertaken on the Project tenement than most areas of the greenstone belt in the Yilgarn region. Geonomik Pty. Ltd considers the project is underexplored for gold.

- Since acquiring the project in 2020, Lithium 1 has undertaken compilation of past exploration data. Past exploration on the project has seen drill holes return interesting gold grades at several locations, however much more exploratory drilling is required to determine the continuity of mineralization and to define mineral resources. Most of the drilling to date within the Kingston-Keith project has not tested the down-dip and down-plunge potential of the defined anomalies. Most of the tenement has not been drill-tested to depth.
- The Group has indicated that they will undertake a systematic approach with respect to their exploration program focusing on gold. A four phased approach is planned. Stage 1 is to involve compilation of previous exploration data, regional synthesis using public domain data, aeromagnetic and structural interpretation, geological target generation followed by geological mapping of targeted locations. Stage 2 is to involve geochemical assessment of the whole property involving the regolith mapping, broad geochemical sampling, multielement geochemistry, geophysical surveys of specific target areas and auger geochemistry of specific target areas. Stage 2 would also involve an initial testing of generated targets using aircore drilling. Stage 3 is to involve reverse circulation (RC) drilling of the high priority prospects, and aircore drilling of new targets. Stage 4 would involve close spaced reverse circulation (RC) and diamond drilling to define mineral resources where appropriate, and reverse circulation (RC) drilling of new target areas.
- Geonomik Pty. Ltd. considers that the exploration strategy proposed by the Group is consistent with the mineral potential and status of the Kingston-Keith project. An exploration budget of AUD 5.0 million is estimated for implementing the proposed exploration strategy which includes AUD 4.7 million on the Kingston-Keith project and AUD 0.3 million for the development of additional mineral projects in the region. Significant funds are planned to be directed to geochemical and geophysical exploration programs in year 1, with the focus changing to drilling in years 2 and 3. A total of AUD 2.75 million is directed to drilling programs representing 55% of the total budget.
- The nearest towns to the property are Wiluna, 60 km to the northwest, and Leinster, 80 km to the south. The project area occurs immediately east of the Goldfields Highway, a major sealed road which tracks north from Kalgoorlie to Meekatharra. Easy access is obtained from the highway to the project via several mining and bore field access roads. Infrastructure in the local district surrounding the project is very good and includes a national highway, gas pipeline, mining towns, and airfields. In the local area there are also several gold mineral processing plants situated relatively close to the project tenements at the Wiluna, Jundee, Agnew, Bronzewing (closed) and Darlot gold mines. In addition, a nickel mineral processing plant is located at Mount Keith

nickel mine immediately south of the project area.

- A field visit by a geological team from Geonomik Pty. Ltd is scheduled to take place in Q4 2021 to collect soil and rock samples and map the locations of outcropping mineralization. A field visit report is expected by the end of year 2021 which will include assays on all samples collected.

1.5.3 Cape Lambert

Pharlap Holdings Pte (“Pharlap”), an indirect wholly owned subsidiary of the Company, holds a royalty on future mine production from the MCC Australia Sanjin Mining Pty Ltd's (“MCC”) retention license on their Cape Lambert magnetite project covering an area of approx. 83.68 square kilometers in the Cape Lambert region in Western Australia. Under the royalty agreement, Pharlap is entitled to AUD 0.50 per ton of all extracted minerals up to a maximum of 50 million tons per year.

Based on the Cape Lambert Competent Person's Report, information on the area covered by the MCC Australia Sanjin Mining Pty Ltd's retention license is as follows:

- The tenement discussed in this report covers Banded Iron Formation (“BIF”) units within the Cleaverville Formation including the 1.9 billion tons with an average grade of 30.7% Fe.
- The publicly quoted resources by MCC on their retention license R47/18 total 1.9 billion tons, of which there are 1.4 billion tons of indicated mineral resource (as defined in the JORC Code) and approximately 0.5 billion tons inferred mineral resource (as defined in the JORC Code) at an average grade of 30.7% Fe.
- In 2008, a pre-feasibility Study compliant with the reporting standards, costs and revenues at the time was carried out on the project. The results of the pre-feasibility study indicated that the BIF ore at Cape Lambert can be mined using conventional open cut mining methods at a rate of 50 million tons BIF ore per year over a 30-year mine life from which a magnetite concentrate produced that after magnetic beneficiation is a high value marketable product.

The Group does not expect any royalties in the short-term. This expectation is based on the following assumptions: Currently, MCC holds a so-called retention license for the Cape Lambert project. A retention license is a license at an intermediate licensing stage between exploration license and mining lease which allows the holder to retain but not to develop a mining project, e.g., because of pending commercial feasibility or the development of required transportation infrastructure. The term of the retention license of MCC is for three years until 21 March 2022. Such a retention license may only be granted if the Geoservices division of the Department of Mines, Industry Regulation and Safety as the responsible authority and the mining minister of the relevant Australian state are satisfied that the exploration stage has been successfully completed and mineral resources have been proven. Taking into account the publicly quoted proven resources at Cape Lambert (Source: <https://cyclonemetals.com/wp-content/uploads/2020/10/00806832.pdf>) and SunMirror Group's estimate that MCC has

already spent circa AUD 490 Million on the Cape Lambert magnetite project as well as given global trade remains dominated by Australia, which exported more than half of all seaborne iron ore in 2020, (Source: Office of the Chief Economist, Resources and Energy Quarterly – June 2021, page 35; retrievable under: <http://publications.industry.gov.au/publications/resourcesandenergyquarterlyjune2021/documents/Resources-and-Energy-Quarterly-June-2021.pdf>), the Company believes there is a likelihood that MCC will convert the retention license to a mining license. However, this is outside the Company's control and cannot be guaranteed.

1.5.4 Revenues

The Group assets located at Moolyella and Kingston Keith are in an exploration phase and do not produce any revenue for the time being. The Group plans to continue exploration based on these two exploration licenses for the next two years funded by financial means already available to the Group as well as other financing to be provided by investors. The Cape Lambert mine conducted a pre-feasibility study and is now at the mine site design and planning stage. The Group expects that production at the Cape Lambert mine will not start in the short-term as described above in 1.5.3.

2 Report on Economic Position

2.1 Macroeconomics and Sector-Specific Environment

2.1.1 Macroeconomic Environment

The outlook for Australia's mineral exports remains strong, as the world economy rebounds from the impact of the COVID-19 pandemic. High prices, good volume growth and a weaker Australian dollar are driving a surge in export earnings. Some moderation in prices is likely in 2022, as supply rises and demand growth moderates. Export earnings are expected to rise by 14% to a record \$349 billion in 2021–22, before declining to just under \$300 billion in 2022–23. Australian iron ore prices look to have peaked, but coal prices have recovered all of their 2020 losses and more, as global shortages emerge.

The world economy is forecast to grow by 6.0% in 2021. However, renewed outbreaks of COVID-19 variants, continued supply chain issues and rising (and persistent) inflation, all present risks to the global recovery in the second half of 2021 and in 2022.

A strengthening recovery in advanced economies is offsetting weaker growth across developing and emerging economies. World economic growth is forecast to moderate to 4.9% in 2022 and 3.5% in 2023, as levels of pent-up demand and government support normalize.

The growing divergence in the recoveries of different economies reflects relative progress in the rollout of COVID-19 vaccinations, and of the level of fiscal and monetary support being provided by governments in response to the pandemic.

<https://publications.industry.gov.au/publications/resourcesandenergyquarterlyseptember2021/documents/Resources-and-Energy-Quarterly-September-2021.pdf>.

World economic outlook

Global growth now reflecting a stronger recovery in advanced economies. In its July 2021 Outlook, the International Monetary Fund (IMF) projected the world economy to grow by 6.0% in 2021. This forecast is unchanged from its April 2021 update. However, it now reflects a stronger- than-expected recovery in advanced economies that is projected to offset weaker growth projected for developing and emerging economies. The IMF has highlighted differing levels of progress in the rollout of vaccines as a major driver of the growing divergence in the recovery of different countries and regions. With advanced economies averaging close to 40% of the population vaccinated by the end of July, economic activity has continued to see a return to normal into the second half of 2021. High frequency indicators such as retail activity are now close to pre-pandemic levels, while public transport use and road traffic levels are rising. Projected growth for advanced economies in 2021 has been upwardly revised by 0.5 percentage points to 5.6%.

In comparison, emerging and developing economies had an average vaccination rate less than half of that of advanced economies by the end of July, with forecast economic growth in 2021 reduced by 0.4 percentage points to 6.3%.

The considerable levels of fiscal and monetary support being provided in many advanced economies continues to counter the short-term economic impacts of the COVID-19 pandemic. Significant fiscal packages in economies such as the US, EU and the United Kingdom, are expected to boost economic growth forecasts through to 2022. To assist low and middle-income countries in their recoveries, the IMF is also introducing a new US\$650bn allocation of its special drawing rights (SDR), to cover essential health and social spending needs.

Beyond 2021, economic growth is expected to moderate. The IMF forecasts the world economy to grow by 4.9% in 2022, a 0.5 percentage point increase from the April 2021 outlook. This increase is primarily due to the substantial infrastructure package currently being considered by US legislators, with a vote in the House of Representatives scheduled for late September. World growth is expected to further ease in 2023 as pent-up demand in the global economy recedes and government support removed.

However, new strains of the pandemic present growing risks to the recovery. Recent outbreaks in Asia-Pacific and Africa are likely to further constrain global supply chains and risk further increases in producer and consumer prices. These outbreaks, along with further restrictions on movement, could act as a drag on economic activity in advanced and developing economies over the outlook period.

The company intends to expand its activities within the precious metals sector, whose main currency is USD. Therefore, the Euro to US Dollars (EUR/USD) and Swiss Francs to US Dollars (CHF/USD) currency exchange rate has significant importance for the company.

The value of the US Dollar stood at EUR 1.14/USD for 2020 on average and was therefore slightly weaker than on average in the previous years (2019: EUR1.12/USD; 2018: EUR1.18/USD; 2017: EUR1.19/USD).

2.1.2 Relevant Commodity Markets

a) Gold

As a relatively rare element, gold is a precious metal that has been used for coinage, jewelry, and other arts throughout recorded history.

To date, gold is used in jewelry, technology (e.g., medicine, engineering, environmental management) as well as by central banks and investors (World Gold Council; retrieved from: <https://www.gold.org/about-gold/gold-demand/sectors-of-demand>). By the end of 2019, the above ground-stocks amounted to a total of 197,576 metric tons; of which, approximately 47% were used for jewelry, 21.6% as private investments, 17.2% as official holdings and 14.2% for other uses (World Gold Council; retrieved from: <https://www.gold.org/about-gold/gold-supply/gold-mining/how-much-gold>).

In 2020, global mine production of gold dropped to 3,200 metric tons from 3,300 metric tons in 2019 (one metric ton or 1,000 kilograms is equivalent to 32,150.7 troy ounces). In 2020, China stayed the world's largest gold producer (380 metric tons), followed by Australia (320 metric tons), Russia (300 metric tons), and the United States (190 metric tons). According to United States Geological Survey, estimated global reserves (i.e., known deposits only) of approximately 53,000 metric tons are available (Source for this paragraph: United States Geological Survey (2021), retrievable under <https://pubs.usgs.gov/periodicals/mcs2021/mcs2021-gold.pdf>).

Global gold consumption is forecast to increase by 6.6% to 4,056 metric tons in 2021, as steady gold prices and the roll-out of COVID-19 vaccines help to drive up sales of gold jewelry. Jewelry demand has been revised up by 5.3% to 1,858 metric tons in 2021, higher than the forecast in the March 2021 Resources and Energy Quarterly (REQ). The revision reflects higher than expected Chinese gold jewelry demand in the March quarter 2021. In the US, gold jewelry consumption grew by 6.4% in the March quarter 2021, and is expected to remain strong over the rest of 2021, driven by an effective COVID-19 vaccine rollout, improved consumer sentiment and high household savings. In Europe, jewelry consumption is expected to be weak, due to a slow COVID-19 vaccine rollout and less vigorous economic recovery. On 21 May 2021, the Russian government introduced legislation that allows the country's national wealth fund to buy and hold gold with the Russian central bank (the Bank of Russia). This latest development is expected to boost gold consumption in Russia from 2021. The most significant risk to global gold consumption in 2021 is the rise of COVID-19 cases in India. India recorded a 39% jump in jewelry demand in the March quarter 2021, but the latest wave of the

COVID-19 pandemic is likely to dampen Indian jewelry demand for the remainder of 2021 (Source for this paragraph: Office of the Chief Economist, Resources and Energy Quarterly – June 2021, page 92 - 93; retrievable under: <http://publications.industry.gov.au/publications/resourcesandenergyquarterlyjune2021/documents/Resources-and-Energy-Quarterly-June-2021.pdf>).

World gold consumption is forecast to grow at an average annual rate of 5.8% in 2022 and 2023, to 4,537 metric tons in 2023. The growth is expected to be largely driven by jewelry consumption, which is forecast to rise by nearly 12% a year in 2022 and 2023, to 2,313 metric tons in 2023. Jewelry demand from China is expected to remain strong, supported by rising consumer sentiment and income. Demand from India is expected to recover in 2022 and 2023, as more people are vaccinated, and the economy recovers. Gold retail investment is expected to help global gold consumption, with demand for gold bars and coins forecast to rise at an average annual rate of 1.0% between 2022 and 2023, to 1,137 metric tons by 2023. This is supported by a forecast pull-back in gold prices. The official sector is expected to add to gold demand in 2022 and 2023. Many central banks are expected to shift their focus from accommodative liquidity requirements — to support economic growth during the COVID-19 pandemic — to reserves diversification — to help protect their wealth. As a result, the pace of central bank gold buying is forecast to increase by an average 12% a year over the outlook period, reaching 440 metric tons in 2023 (Source for this paragraph: Office of the Chief Economist, Resources and Energy Quarterly – June 2021, page 93; retrievable under: <http://publications.industry.gov.au/publications/resourcesandenergyquarterlyjune2021/documents/Resources-and-Energy-Quarterly-June-2021.pdf>).

In 2021, world gold supply is forecast to increase by 3.6% to 4,788 metric tons, driven by higher gold mine production in Australia, the US and Canada. Propelled by higher mine production, world gold supply is forecast to rise at an average annual rate of 1.1% between 2022 and 2023, reaching 4,890 metric tons by the end of the outlook period (Source for this paragraph: Office of the Chief Economist, Resources and Energy Quarterly – June 2021, page 94; retrievable under: <http://publications.industry.gov.au/publications/resourcesandenergyquarterlyjune2021/documents/Resources-and-Energy-Quarterly-June-2021.pdf>).

b) Lithium

Being an essential metal with widespread applications in next generation technologies, lithium and its compounds are an integral component of high-energy density, rechargeable lithium batteries and lithium-ion batteries, commonly used for portable electronics and full-electric, plug-in hybrid, and hybrid vehicles (EVs, PEV, and HEVs), respectively. Due to the growth in EV technology as well as due to concerns over increased CO₂ pollution from combustion engines and rising fuel costs, lithium has been put into widespread use in EV (electric vehicles) batteries. As compounds, Lithium is used in a broad variety of industries as glass, enamel, and ceramic, lubricating greases, pharmaceutical products, or aluminum (Source for this paragraph: K. Evans (2014): Lithium, in: G. Gunn (Ed.): Critical Metals Handbook, John Wiley & Sons, pp. 230–260).

Although Lithium is widely distributed on Earth, it does not naturally occur in elemental form due to its high reactivity (Source: Krebs, Robert E. (2006). *The History and Use of Our Earth's Chemical Elements: A Reference Guide*. Westport, Conn.: Greenwood Press, *retrievable under*: (<https://en.wikipedia.org/wiki/Lithium>). With estimates for the Earth's crustal content ranging from 20 to 70 ppm by weight (Sources: Kamienski, Conrad W.; McDonald, Daniel P.; Stark, Marshall W.; Papcun, John R. (2004). "Lithium and Lithium compounds", in: *Kirk-Othmer Encyclopedia of Chemical Technology*, John Wiley & Sons) constitutes about 0.002% of Earth's crust (Atkins, Peter (2010): *Shriver & Atkins' Inorganic Chemistry*, 5th ed., New York: W. H. Freeman and Company. p. 296).

According to United States Geological Survey, estimated global reserves (i.e., known deposits only) of approximately 21 m metric tons are available. Worldwide resources (i.e., confirmed and estimated deposits) are considerably greater and have increase substantially in recent years to approximately 86 m metric tons. (Source for this paragraph: United States Geological Survey (2020), *retrievable under* <https://pubs.usgs.gov/periodicals/mcs2021/mcs2021-lithium.pdf>).

World demand for lithium is forecast to increase from 305,000 metric tons lithium carbonate equivalent (LCE) in 2020 to 452,000 metric tons in 2021. Demand is then forecast to reach 675,000 metric tons by 2023, as global EV uptake rises further. The very strong demand increase in 2021 is based on increasing EV uptake - driven by prices, model choice and government measures (Source for this paragraph: Office of the Chief Economist, Resources and Energy Quarterly – June 2021, page 140; *retrievable under*: <http://publications.industry.gov.au/publications/resourcesandenergyquarterlyjune2021/documents/Resources-and-Energy-Quarterly-June-2021.pdf>).

The Company believes that in particular the developments in the EV-sector will be critical for the Group's prospects. In the view of the Company, one of the driving forces will be Volkswagen, which is in particular pursuing the following plans (Source for this paragraph: Office of the Chief Economist, Resources and Energy Quarterly – June 2021, page 140 - 141; *retrievable under*: <http://publications.industry.gov.au/publications/resourcesandenergyquarterlyjune2021/documents/Resources-and-Energy-Quarterly-June-2021.pdf>):

- According to Volkswagen the key to success for the electrification of their product range will be large volume production of a 'unified cell' covering 80% of their range. The 'unified cell' will have a nickel manganese cathode and progressively minimize use of cobalt. Meanwhile, LG will be 'thrifting' cobalt from July 2021 with their NCMA battery for Tesla. Transitions out of cobalt will take time to implement. Volkswagen anodes will use synthetic graphite with silicon. The silicon aids in faster charging. Typically, lithium will be in the electrolyte as well as impregnating the cathodes. Volkswagen assessed that the 'unified cell' would lead to a 50% reduction in battery costs via cell construction, dry coating technology for electrodes, raw materials / manganese chemistry and removing the module stage with cell to pack technology. The batteries are also to be fully recycled via a hydrometallurgy process.

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- Volkswagen is morphing from an automotive manufacturer into a power company. They are planning on doing this by using the 'unified cells' as home storage and grid storage devices. The ID.3 vehicle, like the Golf, has a 77kWhr battery. This has the capacity to power a home for five days, in addition to commuter driving. The bidirectional charging to and from the car will facilitate power usage in the house; all 'app / cloud' controlled to optimize performance. In Europe in 2020, 6500 GW of renewable power was lost due to curtailment which could have been reduced with more energy storage. The implementation of a cheap 'unified cell' via the ID.3 and other vehicles could be a significant development for Europe in terms of energy storage, utilization and emissions reduction. Volkswagen are constructing four giga-factories in Europe over 2023 to 2027 to manufacture these batteries.
 - The Volkswagen recycling plant for lithium batteries in Salzgitter, Germany, will be essential to delivering on its ESG credentials and supplying recycled materials vital to its supply chain. The plant is small scale but will be used to develop and scale up technology in this area, as large lithium batteries become available for end-of-life recycling. Statutory requirements covering battery life cycle and supply chain in Europe may come into effect by 1 January 2022.

Worldwide output in 2021 is forecast at 441,000 metric tons LCE, while production is forecast at 538,000 metric tons LCE in 2022, and 679,000 metric tons by 2023. At this stage, supply may fall short of demand unless mine and brine operations are expanded beyond initial projections (Source for this paragraph: Office of the Chief Economist, Resources and Energy Quarterly – June 2021, page 141; retrievable under: <http://publications.industry.gov.au/publications/resourcesandenergyquarterlyjune2021/documents/Resources-and-Energy-Quarterly-June-2021.pdf>).

c) Iron Ore

Iron ore is an essential component for the global iron and steel industries, since iron ore is the raw material used to make pig iron, which is one of the main raw materials to make steel. Almost 98% of mined iron ore is used in steel making (Source for this paragraph: <https://www.investopedia.com/articles/investing/030215/how-iron-ore-market-works-supply-market-share.asp>).

World resources are estimated to be greater than 800 billion metric tons of crude ore containing more than 230 billion metric tons of iron (Source for this paragraph: United States Geological Survey (2021), retrievable under <https://pubs.usgs.gov/periodicals/mcs2021/mcs2021-iron-ore.pdf>).

About 50 countries mine iron ore, with Australia and Brazil dominating the market share for export. The global iron ore market is valued at USD 182.1 bn in 2020. It is expected that the global iron ore market should reach USD 333.0 bn by the end of 2026. This forecast is equivalent with a compound annual growth rate (CAGR) 2021-2026 of 8.9%. Going forward, according to the iron ore market outlook, government policies, emerging markets growth, increase in construction activities and in production capacities, improved logistics

infrastructure, and increasing automobiles manufacturing are expected to be the main drivers of the market. Major factors that could hinder the growth of the iron ore market in the future include skills shortages, environmental impacts of iron ore mining, reduction in free trade, rising interest rates, the coronavirus pandemic, fluctuating prices, uncertain demand for iron ore, and overcapacity of steel which is underutilized (Sources for this paragraph: <https://www.usgs.gov/centers/nmic/iron-ore-statistics-and-information>, <https://www.thebusinessresearchcompany.com/report/iron-ore-market>).

Global trade remains dominated by Australia, which exported more than half of all seaborne iron ore in 2020. However, growing output from Brazil and Africa may provide some pushback to Australia's dominance over the coming years (Source for this paragraph: Office of the Chief Economist, Resources and Energy Quarterly – June 2021, page 35; retrievable under: <http://publications.industry.gov.au/publications/resourcesandenergyquarterlyjune2021/documents/Resources-and-Energy-Quarterly-June-2021.pdf>).

Tightness in supply from the world's two major producers — Australia and Brazil — has contributed to the substantial rally in iron ore prices. This is due to safety-related mine closures and COVID-19 disruptions in Brazil, and seasonal weather disruptions in both countries in the March quarter 2021. (Source for this paragraph: Office of the Chief Economist, Resources and Energy Quarterly – June 2021, page 33; retrievable under: <http://publications.industry.gov.au/publications/resourcesandenergyquarterlyjune2021/documents/Resources-and-Energy-Quarterly-June-2021.pdf>).

Global iron ore markets are expected to remain tight, with slow growth in both supply and demand over the next few years. Market structure is not expected to alter significantly, with Australia's market share expected to hold up. A recovery in Brazilian supply is likely in the short-term, but a number of high-cost mines in Brazil and China are also expected to face closure or depletion over the next 10 years (Source for this paragraph: Office of the Chief Economist, Resources and Energy Quarterly – June 2021, page 35; retrievable under: <http://publications.industry.gov.au/publications/resourcesandenergyquarterlyjune2021/documents/Resources-and-Energy-Quarterly-June-2021.pdf>).

2.2 Course of business

On 31 August 2020, the Company has implemented a capital increase from CHF 325,000 to CHF 2,000,000 by means of a cash contribution of CHF 500,000 and a contribution in kind of CHF 1,175,000. This contribution in kind comprised SunMirror Luxembourg, including its subsidiaries Lithium 1 and Pharlap.

2.2.1 Reverse Take Over Sun Mirror Luxembourg S.A.

SunMirror Luxembourg S.A. (SunMirror Luxembourg) is registered with the Luxembourg Trade and Companies Register, Section B, under number 217501. The company changed its name to SunMirror Luxembourg S.A. (former COUNO RESOURCES S.A) on 31 August 2020. The address of its registered office and principal place of business is 121 Avenue de la Faiëncerie in L-1511 Luxembourg. SunMirror Luxembourg itself is a holding company and held a 100% interest in Lithium 1 Pty Ltd. and Pharlap Holdings Pte Ltd. at the time of the contribution in kind.

The contribution in kind of SunMirror Luxembourg into SunMirror must be accounted for as Reverse Take Over of SunMirror as acquiree. The transaction is accounted for in the consolidated financial statements of SunMirror as a continuation of the financial statements of SunMirror Luxembourg and a capital reorganization of SunMirror i.e., after the transaction the consolidated financial statements represent the continuation of the financial statements of SunMirror Luxembourg (legal subsidiary) except for its share capital.

The reorganization is accounted for as a recapitalization, with SunMirror Luxembourg being the accounting predecessor and SunMirror has to be accounted for as acquiree. SunMirror Luxembourg's historical share capital of USD 1,247,727 and SunMirror AG's Legal reserves of USD 93, accumulated loss of USD 275,030 and foreign currency translation reserve of USD 13,919 are eliminated. Comparative information was retroactively adjusted to reflect SunMirror's legal capital as the legal parent of the group.

2.2.2 Lithium 1 Pty Ltd, Subiaco, West Australia (Lithium 1)

Lithium 1 has a 100% ownership of a lithium project in Northwest Australia called Moolyella and a 100% ownership of a gold and nickel project in central Western Australia called Kingston Keith, which SunMirror is currently actively exploring. SunMirror also intends to carry out development, mining, and extraction activities through Lithium 1 in the future, should any of the assets in the company prove commercially viable.

2.2.3 Pharlap Holdings Pte Ltd, Singapore (Pharlap)

As of 12 August 2020, SunMirror Luxembourg acquired Pharlap, a company incorporated and registered in Singapore. Pharlap holds a royalty on the retention license covering future mine production from the Cape Lambert Magnetite Project of MCC Mining (Western Australia) Pty. Ltd. Located in Western Australia, Cape Lambert holds undeveloped magnetite Banded Iron Formation (BIF) deposits. The total purchase price for the acquisition was EUR 23,090,000 (equivalent to USD 27,179,239). The purchase price was provided by the major shareholder and recorded as a capital contribution by this shareholder without issuing new shares at SunMirror Luxembourg. Therefore, SunMirror Luxembourg did not incur any cash outflow or liability on the acquisition of Pharlap.

2.2.4 Securities Prospectus

SunMirror shares are currently listed on the regulated unofficial market segment (Freiverkehr) of Düsseldorf Stock Exchange and on the Vienna MTF (market segment direct market) of Vienna Stock Exchange (Wiener Börse). The Company's intention is to list its shares on a regulated market. A securities prospectus is currently being prepared for this purpose. Accordingly, high costs were incurred in preparation of a potential listing in the financial year 2020/21.

Due to the new strategic focus and because of the non-recurring costs in connection with the preparation and audit of the securities prospectus, a comparison over time may be limited or it may not be possible to draw conclusions about the future situation of the company from the historical financial results.

Group structure:

The following entities form the consolidation scope of these consolidated financial statements as of 30 June 2021:

Name	Country of incorporation	Currency	Share capital	Equity portion
SunMirror AG	Switzerland	CHF	2'000'000	Holding
SunMirror Luxembourg S.A.	Luxembourg	EUR	1'111'000	100%
Lithium 1 Pty Ltd	Australia	AUD	10	100%
Pharlap Holdings Pte	Singapore	SGD	4'172'242	100%

SunMirror AG did not have any subsidiary until February 2020. As the contribution in kind of all shares in SunMirror Luxembourg (see "3 Significant transactions and events") is accounted for in the consolidated financial statements of SunMirror Group as a continuation of the financial statements of SunMirror Luxembourg and a capital reorganization of SunMirror AG the comparative reflects the following entities as of 30 June 2020.

Name	Country of incorporation	Currency	Share capital	Equity portion
SunMirror Luxembourg S.A.	Luxembourg	EUR	1'111'000	Holding
Lithium 1 Pty Ltd	Australia	AUD	10	100%

2.2.5 Results of operations

The following table shows the financial performance of SunMirror for the twelve months ended 30 June 2021 and the six months ended 30 June 2020. We would like to draw the attention to the fact, that the comparative figures for the six months ended 30 June 2020 were restated. Further information on this is disclosed in the consolidated financial statements under Note 2.4. The Notes refer to the consolidated IFRS Financial Statements for the year ended 30 June 2021 and should be read in that context.

<i>In USD</i>	Note	30 June 2021 (12 months)	30 June 2020 (6 months, restated)
Revenue	4.1	0	0
Exploration expenditure	4.2	0	-7'480
Personnel expense	4.3	-441'758	-27'551
General and administrative expense	4.4	-3'711'414	-296'276
Operating loss		-4'153'172	-331'307
Finance income		1'280'920	0
Finance expense		-536'619	-85
Financial result	4.5	744'301	-85
Loss for the year/period		-3'408'871	-331'392

The overall loss for the twelve months period ended 30 June 2021 of USD 3,408,871 is significantly higher compared to a loss of USD 331,392 for the six months period ended 30 June 2020.

Revenue

SunMirror did not generate any revenues within the 12 months 1 July 2020 to 30 June 2021 as well as in the comparative period. This is because the company did not start any operating activities yet.

Exploration expenditure

<i>In USD</i>	2020/2021	2020 (restated)
Intangible exploration assets written off	0	-6'570
Intangible exploration expenditure	0	-911
Intangible exploration expenditure	0	-7'480

Exploration and evaluation expenses are expenses incurred in connection with the exploration and evaluation of mineral resources at the Moolyella and Kingston Keith tenements. General Exploration and evaluation expenditure incurred subsequently to initial acquisition are immediately expensed.

Personnel expense

<i>In USD</i>	2020/2021	2020 (restated)
Board of directors fee	-388'757	-27'551
Salaries	-43'926	0
Social security and insurance contributions	-6'252	0
Other personnel expenses	-2'823	0
Total personnel expense	-441'758	-27'551

Personnel expenses include the compensation of the Board of Directors, management, and administrative staff.

General and administrative expense

<i>In USD</i>	2020/2021	2020 (restated)
Consulting fees and valuation reports	-192'223	0
Listing expense	-531'064	0
Stock exchange fees	-1'041'894	0
Legal fees and expenses	-371'462	-39'988
Accounting, tax and auditing fees	-1'011'839	-10'359
Professional fees (related parties)	-275'107	-205'237
Communication/PR and IT costs	-244'036	0
Capital tax	-4'412	-5'306
Other fees	-39'378	-35'385
Total general and administrative expense	-3'711'414	-296'276

Since SunMirror being accounted for as acquiree, SunMirror's listing status must be accounted for resulting in the recognition of a listing expense of USD 531,064. The fair value of the listing status was measured by reference to the excess of the consideration over the net assets acquisition of Dynastar AG in a separate transaction.

The costs related to the work on the prospectus are mainly included in the categories Consulting fees and valuation reports, Stock exchange fees, Legal fees, Accounting, tax and auditing fees, Professional fees and Communication/PR and IT costs. At the time of the balance sheet date of the consolidated financial statements as of 30 June 2021, this work was still in progress.

The previous year's figures include significantly lower costs and only initial preparatory work in connection with the efforts for a stock exchange listing.

Financial result

<i>In USD</i>	2020/2021	2020 (restated)
Gains on marketable securities	1'063'818	0
<i>thereof realized</i>	252'419	0
<i>thereof unrealized</i>	811'399	0
Foreign currency exchange gain	217'102	0
<i>thereof realized</i>	52'744	0
<i>thereof unrealized</i>	164'358	0
Finance income	1'280'920	0
Interest expense	-363'539	0
Brokerage commission	-6'411	0
Foreign currency exchange loss	-166'669	-85
<i>thereof realized</i>	-134'428	-85
<i>thereof unrealized</i>	-32'241	0
Finance expense	-536'619	-85
Financial result	744'301	-85

In April 2021, investors provided SunMirror with a convertible loan. The proceeds were invested in marketable securities and successively liquidated for the financing of SunMirror's activities. The investment and trading of these marketable securities resulted in a significant profit in the current fiscal year 2020/21. The realized gains resulted from sales and the unrealized gains resulted from the positive price development on the securities portfolio as of June 30, 2021. Interest expense reflects interest paid and accrued on the convertible loans. Foreign currency gains and losses result from daily transactions during the financial year and currency adjustments on the net assets as of the balance sheet date in the respective functional currency.

There were virtually no transactions in this respect in the previous year.

Income Tax

Due to the overall loss for the periods, no income tax was paid in the period from 1 July to 30 June 2021 as well as prior year.

2.2.6 Cashflow Statement

<i>In USD</i>	Note	30 June 2021 (12 months)	30 June 2020 (6 months, restated)
Cash flows from operating activities			
Loss of the year/period		-3'408'871	-331'393
Adjustments to reconcile loss before tax to net cash flows:			
Listing expense (non-cash)	4.4	531'064	
Financial result	4.5	-744,301	85
Working capital changes:			
Increase/decrease in other receivables	4.14	-114,915	1'874
Increase/decrease in trade and other payables	4.18	941'316	331'571
Interest paid	5.1	-25'562	
Net cash flow from operating activities		-2'821'269	2'137
Cash flows from investing activities			
Payments for intangible assets	4.10	-13'175	
Payments for exploration expenditure	4.11		-42'170
Exclusivity fee for acquisition of Latitude 66 Cobalt Oy	6	-2'970'914	
Payments for financial assets at fair value through profit or loss	4.13	-4'764'922	
Proceeds from financial assets at fair value through profit or loss	4.13	1'465'909	
Payments for loans granted	4.13	-387'455	
Net cash flow from investing activities		-6'670'557	-42'170
Cash flows from financing activities			
Proceeds from issuance of shares	4.16	540'522	
Proceeds from convertible bonds	4.17	10'011'775	
Proceeds from convertible loan	5.1	885'730	
Payments for convertible loan	5.1	-885'730	
Proceeds from shareholder loan	4.18	12'558	45'635
Cash inflow on acquisition (less acquired cash)			7
Payments for brokerage commission	4.17	-602'078	
Net cash flow from financing activities		9'962'777	45'642
Net foreign exchange differences		-25'515	-5'602
Net change in cash and cash equivalents		445'436	7
Cash and cash equivalent at beginning of year/period		7	0
Cash and cash equivalent at end of year/period		445'443	7

In financial year 2020/2021 a cash flow from operating activities of USD -2'821'269 was realized which are in line with the development in the profit and loss statement. The listing expenses are technical expenses in connection with the acquisition of Dynastar AG. This transaction was paid for by the shareholders and therefore cannot be considered as cash flow from SunMirror. In previous year, a cash flow from operating activities of USD 2'137 was realized. However, most of the expenses from the previous year were paid in the current financial year.

The cash outflow for investing activities amounted to USD 6'670'557. This is mainly due to the payment of the exclusivity fee to the shareholders of Latitude 66 Cobalt Oy as well as the investing and trading of the marketable securities. Cash flows from investing and financing activities in previous year resulted from an acquisition of USD 42'170 (tenement Kingston Keith).

Cash flow from financing activities in 2020/2021 of USD 9'962'777 resulted of a cash capital increase and the proceeds of the convertible loans. The loans drawn from Starpole in the current financial year were repaid in full of the proceeds of the new convertible loans. A brokerage commission of 6% had to be paid for the placement of the new convertible loans. The cash flow from financing activities in previous year of USD 45'642 was mainly the result of a loan from related parties to finance the acquisition.

2.2.7 Financial position and capital structure

The following table shows the financial position of SunMirror as of 30 June 2021 and 30 June 2020:

In USD

ASSETS	Note	30 June 2021	30 June 2020 (restated)
Non-current assets			
Intangible assets	4.10	28'612'437	0
Exploration and evaluation assets	4.11	3'835'160	3'358'399
Other assets	4.12	2'970'914	0
Total non-current assets		35'418'511	3'358'399
Current assets			
Financial assets	4.13	4'758'626	16'703
Other receivables	4.14	129'171	9'086
Cash and cash equivalents	4.15	445'443	7
Total current assets		5'333'240	25'796
Total assets		40'751'751	3'384'195
EQUITY AND LIABILITIES			
Equity	4.16		
Share capital		2'161'816	327'030
Capital reserves		30'888'085	4'244'116
Accumulated losses		-4'995'631	-1'586'760
Foreign currency translation reserve		1'754'546	-15'994
Total shareholders' equity		29'808'816	2'968'392
Current liabilities			
Financial liabilities	4.17	9'635'799	50'499
Trade and other payables	4.18	1'300'030	358'714
Other non-financial liabilities	4.19	7'106	6'590
Total current liabilities		10'942'935	415'803
Total liabilities		10'942'935	415'803
Total equity and liabilities		40'751'751	3'384'195

As a result of the reverse takeover, the balance sheet figures have changed substantially compared to the last annual financial statements.

The acquisition of the royalties from Pharlap in the current financial year is included in the intangible assets. The two tenements Moolyella and Kingston Keith (held by Lithium 1) are included in the exploration and evaluation assets and were acquired in previous year. Other non-current assets resulted from the payment of the Latitude 66 exclusivity fee.

Marketable securities measured at fair value, the loan to a shareholder and receivables from related parties in the total amount of USD 4'758'626 are included in the financial assets (previous year there was a receivable from related parties in the amount of USD 16'703).

Financial liabilities increased from USD 50'499 as of 30 June 2020 to USD 9'635'799 as of 30 June 2021. This increase is mainly due to the new convertible loan in the amount of USD 9'568'127.

Trade and other payables increased from USD 358'714 as of 30 June 2020 to USD 1'300'030 as of 30 June 2021. In addition to higher accruals, this increase is due to the fact that various larger invoices in connection with the listing efforts were not yet due or paid as of the balance sheet date.

Capital Structure

	Note	Share capital	Capital reserves (restated)	Accumul. Loss (restated)	Foreign currency translation reserve (restated)	Total shareholders' equity (restated)
<i>In USD</i>						
Balance as at 01 January 2020	3	327'030	920'697	-1'255'368	-3'294	-10'935
Loss for the year				-331'392		-331'392
Other comprehensive income/loss	4.7				-12'700	-12'700
Total comprehensive loss/income				-331'392	-12'700	-344'092
Contribution in kind	2.4		3'323'419			3'323'419
Balance as at 30 June 2020 (restated)		327'030	4'244'116	-1'586'760	-15'994	2'968'392
Balance as at 01 July 2020		327'030	4'244'116	-1'586'760	-15'994	2'968'392
Loss for the year				-3'408'871		-3'408'871
Other comprehensive income/loss	4.7				1'770'540	1'770'540
Total comprehensive loss/income				-3'408'871	1'770'540	-1'638'331
Contribution of Pharlap	3		27'179'239			27'179'239
Contribution in cash	3	540'522				540'522
Reverse acquisition in way of contribution in kind	3	1'294'264	-704'077			590'187
Equity component of convertible bonds	5.1		168'807			168'807
Balance as at 30 June 2021		2'161'816	30'888'085	-4'995'631	1'754'546	29'808'816

SunMirror performed a capital increase from USD 327'030 (CHF 325'000) to USD 2'161'816 (CHF 2,000,000) by means of a cash contribution of USD 540'522 (CHF 500'000) and a contribution in kind of 1,111,000 shares in SunMirror Luxembourg S.A with a nominal amount of EUR 1.00 resulting in an increase in capital of USD 1'294'264 (CHF 1'175'000). Each share has a nominal value of CHF 1. At the same time, the company's name was changed from Dynastar AG to SunMirror AG, and the registered office was moved from Zurich to Zug, Switzerland. These transactions are reflected in the notarized public deed (Öffentliche

Urkunde) dated 31 August 2020 and resulted in a much stronger shareholder's equity compared to the previous year.

There were no dividend payments in the financial years ended 30 June 2021 and 30 June 2020.

3 Outlook, Risk and Opportunity Report

3.1 Outlook

Cape Lambert (royalty)

If the Cape Lambert Magnetite Project is ever developed by MCC Mining (Western Australia) Pty, SunMirror's underlying royalty on the project (via Pharlap Holdings Pte Ltd) may provide cash flow which could be used by the company to finance exploration of the current mineral properties (namely Kingston-Keith and Moolyella) in the Company's portfolio.

SunMirror has no operational control or influence on whether MCC Mining (Western Australia) Pty exploits the Cape Lambert Magnetite Project, as it merely holds a passive royalty in the project. Therefore, SunMirror cannot guarantee it will receive any future revenue from its royalty holding.

Tenements

SunMirror expects to incur significantly higher expenses relating to exploration activities at Moolyella and Kingston Keith in the next two years. For the current financial year 2021/2022, the Group has approved an exploration budget of around USD 1.2 million for the Moolyella and Kingston Keith projects. To maintain current rights of tenure to exploration tenements the Group will be required to outlay approximately USD 69'713 per year to meet minimum expenditure requirements for the duration of the current tenements.

Further acquisition

On 27 August 2021, the Group has entered into a conditional binding agreement with Latitude 66 Cobalt Limited to acquire 100 percent of the shares of Finnish cobalt company Latitude 66 Cobalt Oy ("**Latitude 66**") from its parent company Latitude 66 Cobalt Limited. Latitude 66's business focus is exploration and mine development with its business operations located in Finland.

Founded four years ago, Latitude 66 is one of the leading explorers of cobalt in Europe and controls the largest exploration tenement package of any single company in Finland, currently surpassing 9,000 square kilometers. Latitude 66's most advanced mine development project is, in Latitude 66's view, the fourth largest known cobalt deposit in the European Union and the second largest not yet in production. In addition, Latitude 66 has an extensive exploration portfolio with over 100 targets identified for further exploration.

The expected purchase price payable to Latitude 66 Cobalt Limited will be EUR 45 million,

payable in cash on closing, and a 2% net smelter royalty on future production. The conditional binding agreement in respect of the acquisition of Latitude 66 contains an alternative completion structure which, subject to satisfaction of certain conditions, provides SunMirror Luxembourg S.A. with the ability to propose a takeover offer for the shares in Latitude 66 Cobalt Limited in accordance with applicable Australian laws. The completion of the acquisition of Latitude 66, or a takeover bid if one is subsequently announced by SunMirror Luxembourg S.A., is subject to completion by the Company of a capital raising of not less than EUR 70 million and other customary conditions.

3.2 Risk Report

Business related risk factors

In its new business activity, the Company is a start-up company with no operating history and has not generated cash inflows as yet and will continue to be dependent on equity or debt funding at acceptable conditions in order to finance its business activities. The establishment of completely new business activities may fail, especially against the background of SunMirror's focus on mineral exploration companies, however the company aims to mitigate this risk by hiring relevant experienced industry personnel and conducting exploration with the objective of establishing mineral resources.

There is significant risk in the identification and proving up resources. While as of today no drilling has been done, there is no guarantee that future drilling programs will be successful. This means that there is a substantial risk that drilling may outline a lower tonnage or grade resource, which would negatively impact our valuation and possibly lead to future impairment of assets and impact the ability of the Company to continue as a going concern.

The Group does not expect the Cape Lambert magnetite project to become operational and thus generate royalty income in the short-term, if at all. Until then, no asset of the Group is expected to generate revenues. The Group's existing exploration assets, the Moolyella project and the Kingston-Keith project, are expected to take at least until 2027 and 2028 before they can be turned into producing mines, provided exploration efforts show the envisaged results of proving up a viable resource, obtaining a mining license and funding to construct an operating mine. Until such stage, even in case of successful exploration such assets will require further investment but will not generate revenues in the short-term. For the short-term, the Group will be dependent solely on equity and equity-linked funding, such as by means of convertible notes, to finance its administration and exploration and development activities. Any funding need may increase in case of delays with exploration efforts or higher than expected costs. If the Group fails to obtain additional funding at all or at reasonable terms, if required, the Group may be forced to sell assets, potentially also in distress, or even to file for insolvency which would result in assets being impaired and potentially additional liabilities being incurred.

Further, any acquisition by the Group of additional exploration assets or companies holding exploration assets will require the Group to obtain sufficient additional funding from its shareholders by means of share capital increases.

Market related Risk factors

The market reacts sensitively to various factors, which is why a market forecast is only possible to a limited extent. Price and interest rate developments, inflation, political and social changes can be identified as driving factors.

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on net income or loss and economic value due to commodity price movements and volatilities. The Company closely monitors long term commodity prices, particularly as they relate to base and precious metals, to determine the appropriate course of action to be taken by the Company. SunMirror actively monitors its risk of a shortage of funds as SunMirror will need extensive funds to finance its future exploitation and evaluation activities. When expenses are denominated in currencies other than the respective functional currencies SunMirror is subject to foreign currency risks. SunMirror manages this foreign currency risk by matching receipts and payments in the same currency and monitoring movements in exchange rates.

In addition, SunMirror might be facing competition from other companies, some of which have considerably higher funds at their disposal for acquisitions or joint ventures. Furthermore, more competitors could lead to more mineral reserves being produced and to lower market prices for certain minerals. This could result in SunMirror Group generating less revenue and earnings.

New environmental regulations might in addition have a negative impact on the future Company's results of operations and financial conditions.

On 3 February 2021, the Native Title Legislation Amendment Bill 2020 (Cth) was enacted. The bill introduced reforms to the Native Title Act 1993 (Cth) which seek to improve the efficiency of the native title system for all parties. The amendments validated most section 31 'right to negotiate agreements' which might be invalid due to non-execution by any persons comprising the native title claimant, a technical requirement arising from the Federal Court's decision in *McGlade v Registrar National Native Title Tribunal* [2017] FCAFC 10. Further, parties to section 31 agreements that engage in the right to negotiate process must now provide notice to the National Native Title Tribunal of any ancillary agreements in existence. Additionally, the amendments allow historical extinguishment of native title to be disregarded on park areas, including those extinguished by public works and have also extended the objection period to 8 months for the creation of a right to mine for the purpose of an infrastructure facility associated with mining and to some compulsory acquisitions of native title.

Impact of Covid-19

Central bank and government actions and support measures taken in response to the Covid-19 outbreak may create restrictions in relation to capital. These may limit management's flexibility in managing the business and taking action in relation to capital distribution and capital allocation.

The Covid-19 outbreak has resulted in very significant movement in economic and market drivers. These factors can significantly impact the performance of financial models including IFRS and capital models. By their nature, such models require a significant degree of management judgement and assumptions to be applied, and there is a risk that future actual results/performance may differ from such judgements and assumptions. The performance and usage of models could be impacted significantly by the consequences of further outbreaks.

It is possible that capital, IFRS models, valuation models and financial reporting models, may be impacted by further Covid-19 outbreaks, and will need to be recalibrated or in some cases may need to be replaced with the development of new models. The effectiveness of these will depend in large part on the depth and length of the economic downturn of the economies of the major markets in which the Group operates.

A prolonged period of significantly reduced economic activity as a result of the impact of further outbreaks would have a material adverse effect on the Issuer's financial condition, results of operations, prospects, liquidity and capital position.

3.3 Opportunity Report

In every case, the proper strategic response to risk can be an opportunity to create value for SunMirror as an exploration and royalty company.

An increase in commodity prices is a potential opportunity and might increase SunMirror's economic value. In addition the looming supply – demand gap in the battery metals sector vindicates the company's strategy to include a focus on metals such as lithium, cobalt and other battery metals necessary to support the global drive to electrification.

Furthermore, SunMirror might support growth and sustainability through the adoption of innovative technologies designed to better manage operational costs, improve extraction methods, streamline distribution, increase worker productivity, and mitigate risks by building new partnerships and attracting the right talent.

Zug, 15 October 2021



Dr. Heinz Kubli, Board of Directors