SunMirror AG

Management Report

for the

Half-Year ended 31 December 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 Vienna Stock Exchange (official market, ticker: ROR1) and are traded on the regulated unofficial markets Frankfurt, Düsseldorf and Berlin (ticker: ROR) as well as on tradegate and Xetra. The company changed its name to SunMirror AG (formerly Dynastar AG) on 31 August 2020. The address of its registered office and principal 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 mainly developed countries with the most attractive mining jurisdictions, 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 pursues an opportunistic acquisition strategy of new exploration and operating assets. All current projects are held 100% by the Group. The Group's acquisition strategy is to acquire primarily sole ownership or controlling interests (save for potential royalty opportunities). Any decision on the acquisition of additional exploration and operating assets will only be made after successful due diligence, negotiations/commercial agreement and securing any required financing.

SunMirror seeks to acquire mineral assets that have seen at least some work from the previous owners and operators. This partial de-risking 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.

The Company's strategy is to invest into exploration and mining assets with a focus on metals critical for the fast-growing European green technology industry such as cobalt, copper, gold, lithium, nickel, and tin. The focus if furthermore on assets located in stable, low risk jurisdictions, e.g., Australia, Europe and selected African countries. By focusing on mineral assets in these more developed countries, management of SunMirror tries to avoid typical expropriation and political risk associated with mineral assets in undeveloped countries. In addition, this provides SunMirror with a proximal market for its mineral projects.

SunMirror's acquisition strategy is to acquire majority stakes (as well as 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 operates 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 exploration and mining assets with a focus on critical metals relevant for the European industry. The Group continues to advance its exploration assets and with the aim to eventually operate multiple mines and processing plants. Currently, the Group holds 3 assets in Western Australia:

- **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 North-western Australia, which the Group believes has a robust potential for lithium-bearing pegmatites. The property is an early-stage exploration project with no JORC-compliant mineral resources defined as yet. Nevertheless, the area is highly prospective for both lithium and tin, the latter of which was exploited in the 1890's.

  In July 2021, a field visit was carried out by a geological team from Geonomik Pty. Ltd. The team spent just over a week on the license, collecting rock and soil samples, as well as mapping the various outcropping pegmatite horizons. The resulting summary of the field visit is that the Moolyella license area is considered highly prospective for presence of additional lithium-bearing pegmatites. As next step, a two-stage, contingent, work program is recommended for the property. Remote sensing structural/alteration study, geological mapping, mineralogical studies, lithogeochemical sampling, airborne geophysical (magnetic, radiometric) surveying, and limited auger drilling are proposed for Phase One. RC drilling, to follow in Phase two.

- **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 JORC-compliant mineral resources defined as yet.

  In November 2021, a field visit to the licence area was carried out by a geological team from Geonomik Pty Ltd. The team spent just over a week (8 days) on the license, collecting 35 rock and 22 soil samples, as well as mapping the various historic workings on the property. All samples collected were sent off to Nagrom Laboratories in Perth, Western Australia for analysis. The results confirm that the property has gold potential and further work is planned on the property in the near future.

- **Cape Lambert**: The Group holds a royalty on 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. This is a passive investment held by the Group.

  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 was for three years until 21 March 2022 and can be renewed (extended) upon request. 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, the Company believes that an extension of the Retention Licence is likely to be granted. (*Source: Office of the Chief Economist, Resources and Energy Quarterly – June: http://publications.industry.gov.au/publications/resourcesandenergyquarterlyjune2021/documents/Resources-and-Energy-Quarterly-June-2021.pdf).*

  Furthermore, SunMirror Group is aware that MCC has recently submitted an application for an extension (renewal) of their retention license to the Department of Mines, Industry Regulation and Safety (submission date: 16th March 2022) and has paid the required annual rental fee for the next twelve months (until 21 March 2023).

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 Cape Lambert mine conducted a pre-feasibility study and continues to be 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.

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.

1.5.4 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 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. The Group holds a passive royalty and has no influence over actions taken by MCC.

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 and energy shortages persist. High prices, good volume growth and a weak Australian dollar are driving a surge in export earnings. Some decline in prices is likely in 2022, as supply rises and demand growth moderates.
- Export earnings are expected to rise by 22% to a record $379 billion in 2021–22, before declining to $311 billion in 2022–23.
- Iron ore prices have continued to decline but remain at very profitable levels for most Australian miners. Coal and LNG prices have spiked, driven by ongoing shortages and strong demand.
  (*https://publications.industry.gov.au/publications/resourcesandenergyquarterlydecember2021/documents/Resources-and-Energy-Quarterly-December-2021.pdf)*

World Economic Outlook

- The global recovery continues, sustained by the ongoing rollout of COVID-19 vaccines and continued fiscal and monetary support across major economies.
- However, the pace of recovery has slowed in recent months. While this follows a moderation of growth rates toward long-run trend levels as the recovery progresses, it also reflects near-term impacts from the pandemic. This includes renewed outbreaks of COVID-19 and energy shortages across many regions, and ongoing supply chain disruptions.
- After growth of 5.9% in 2021, world economic growth is forecast to ease to 4.9% in 2022 and 3.6% in 2023, as levels of pent-up demand recede, and governments and central banks continue to withdraw stimulus policies.

In its October 2021 Outlook, the International Monetary Fund (IMF) projects the world economy to grow by 5.9% in 2021. This is a slight downward revision (of 0.1 percentage points) from its July 2021 update. The revised projection accounts for the impact of the recent waves of the pandemic across many regions, as well as the persistence of global supply chain constraints, as the global demand for goods has recovered to pre-pandemic levels.

The outlook for Australia's major trading partners remains positive, with growth forecast to reach 6.0% in 2021 and 5.0% in 2022. In its October 2021 Outlook, the World Trade Organisation predicts merchandise trade volumes to grow by 10.8% in 2021, a significant upward revision from 8.0% forecast in March this year.
(https://publications.industry.gov.au/publications/resourcesandenergyquarterlydecember2021/documents/Resources-and-Energy-Quarterly-December-2021.pdf)

In March 2022, the European Central Bank announced that it expects the global economy to remain on a robust growth path, although the conflict in Ukraine and, to a lesser extent, the spread of the Omicron coronavirus variant cloud the outlook. At the turn of the year, the spread of the new Omicron variant caused an unprecedented increase in the number of coronavirus (COVID-19) infections worldwide. As available evidence suggests that the Omicron wave will be shorter than previous waves, the impact on the global economy is expected to be rather moderate and limited to the first quarter of 2022. At the same time, the Russian invasion of Ukraine is weighing on the global economy. The imposition of substantial financial and trade sanctions on Russia results in knock-on effects that are being felt by other countries through higher energy prices, thus further reducing households' disposable incomes, and negative confidence effects, which will weigh on domestic demand and trade.

Supply bottlenecks remain a headwind to growth, but recent indicators tentatively suggest some moderate easing since the end of 2021. Global PMI suppliers' delivery times have been improving slightly but remain fairly tight by historical standards and are still long, while ocean shipping congestion remains high. At the same time, given the strong growth in goods trade and car production in recent months, it appears that supply constraints in some sectors may have passed their peak. Overall, supply bottlenecks are assumed to ease gradually in the course of 2022 and to have fully unwound by 2023 as consumer demand switches back from goods to services and shipping capacity and the supply of semiconductors increase on the back of planned investment. Nevertheless, there are risks – especially in the short term – that supply disruptions might intensify again. This could be the case if China sticks to its zero-COVID policy with the more infectious Omicron variant. Moreover, the war in Ukraine could cause bottlenecks to worsen, leading to shortages of commodities and critical raw materials, but also impediments in logistics and transportation in view of flight and shipping bans affecting trade across the region.

(Source: ECB staff macroeconomic projections for the euro area, March 2022)

2.1.2 Relevant Commodity Markets

a) Gold

- The gold price is estimated to have increased by 1.8% in 2021 to US$1,800 an ounce. A higher real interest rate environment is likely to see the gold price slide to around US$1,700 an ounce in 2023.
- Labour and skills shortages are affecting Australian gold mine production, which is forecast to reach 362 tonnes in 2021–22. Production from new mines and existing mine expansions is expected to boost gold mine production to 374 tonnes in 2022–23.
- Australia's gold export earnings are forecast to increase from $28.3 billion in 2021–22 to $28.4 billion in 2022–23, driven by higher export volumes (to 377 tonnes in 2022–23).

World gold consumption decreased in the September quarter 2021

World gold demand decreased by 7.0% year-on-year to 831 tonnes in the September quarter 2021, led by a strong outflow from gold-backed exchange traded funds (ETFs). Over this period, investors pulled out 27 tonnes (worth US$1.6 billion) of gold from gold-backed ETFs. An improvement in the global economy and the COVID-19 vaccine roll-out led to an exodus of institutional investors' funds from safe haven assets (such as gold ETFs) to riskier assets. Global stock markets continued to reach record highs in the September quarter 2021, attracting investment funds.

Gold consumption expected to rise in 2022 and 2023

World gold consumption is forecast to grow at an average annual rate of 8.1% in 2022 and 2023, to 4,534 tonnes in 2023. The growth is expected to be largely driven by jewelry consumption, which is forecast to rise by 9.6% a year in 2022 and 2023, to 2,263 tonnes in 2023. 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% to reach 1,231 tonnes by 2023. The official sector is expected to add to gold demand in 2022 and 2023, as bond prices fall. As a result, central bank gold buying is forecast to rise by an average 14% a year over the outlook period, reaching 620 tonnes in 2023.

World gold supply decreased in the September quarter 2021

World gold supply decreased by 3.2% year-on-year to 1,239 tonnes in the September quarter 2021. Driving the decline was a 22% year-on-year fall in gold scrap supply. Lower US dollar gold prices improved economic activity and employment opportunities reduced the sale of gold from consumers to jewelry retailers in many parts of the world. Gold mine production in Canada rose by 23% year-on-year in the September quarter 2021. Over this period, gold mine production in Peru and South Africa rose by 25% and 18% year-on-year, respectively, driven by the easing of COVID- 19 containment measures and improved ore grades.

China produced 84 tonnes of gold in the September quarter 2021. Stricter environmental regulation and safety checks led to a 10% year-on-year decline in China's gold mine production in the first three quarters of 2021, to 237 tonnes. Production at Shandong Gold Mining's gold mines in Shandong province fell by 45% year-on-year in the first nine months of 2021, impacted by safety inspection activities.

World gold supply expected to rise further in 2022 and 2023

Propelled by higher gold mine production, world gold supply is forecast to rise at an average annual rate of 1.6% in 2022 and 2023, reaching 4,944 tonnes by the end of the outlook period. World gold mine production is forecast to increase by 3.0% (to 3,756 tonnes) in 2022 and by 2.0% (to 3,831 tonnes) in 2023, driven by increased production in Australia, Canada, Chile and the US.

In Australia, a solid pipeline of projects is expected to bring the country's gold mine production to 395 tonnes in 2023. In Canada, gold mine production is forecast to rise to 258 tonnes in 2023. Sabina Gold and Silver's Back River gold mine in Nunavut province is expected to start operation in 2023, adding 4.7 tonnes of gold a year to Canadian gold output. In Chile, Gold Fields' 8.8 tonnes a year Salares Norte gold project in the Atacama region is expected to come online in 2023. In the US, Equinox is advancing an expansion at its Castle Mountain gold mine in California from 1.2 tonnes in 2021 to 6.2 tonnes a year in 2023.

In 2022 and 2023, lower gold prices and improving economic situations of many households are likely to discourage the sale of gold jewelry. Gold scrap supply is forecast to fall by 2.0% in 2022 (to 1,143 tonnes) and 7.0% in 2023 (to 1,063 tonnes).
(https://publications.industry.gov.au/publications/resourcesandenergyquarterlydecember2021/documents/Resources-and-Energy-Quarterly-December-2021.pdf)

b) Lithium

- Spodumene prices are forecast to rise to an average US$1,185 a tonne in 2022 from an estimated US$720 a tonne in 2021 but fall back to US$990 a tonne in 2023.
- Lithium hydroxide prices are forecast to rise from US$7,300 a tonne in 2020 to US$18,940 a tonne in 2023.
- Australia's lithium production is forecast to rise from 217,000 tonnes of lithium carbonate equivalent (LCE) in 2020–21 to 373,000 tonnes of LCE in 2022–23.
- Australia's lithium export earnings are forecast to rise from $1.1 billion in 2020–21 to $4.2 billion in 2022–23 as lithium hydroxide production rises. First lithium hydroxide output occurred in August 2021.

Increase in September quarter 2021 electric vehicle sales

Global electric vehicle (EV) sales rose by 18% quarter-on-quarter in the September quarter 2021 to be 93% higher than a year before. Global EV sales in 2021 are likely to exceed 5 million units. Sales were dominated by China and Europe.

The forecast for lithium demand is subject to greater than usual uncertainty, due to a semi-conductor shortage affecting the auto industry — which has led to a number of EV makers pushing delivery timeframes for various models out to 2023. Tesla and Volkswagen have publicly announced that they are experiencing supply chain issues. Market commentators such as Bloomberg New Energy Finance have internal combustion engine vehicles been projected to reach cost parity with EVs in 2023 in large markets, but supply chain issues may strain this timeline.

Bloomberg New Energy Finance and the International Energy Agency have EV demand projected to rise to about 30% of vehicle sales annually by 2030, given manufacturers' declarations of capacity hikes and recent strong sales trends.

Lithium trade decreased due to a supply shortage

Over the September quarter 2021, China's lithium hydroxide exports decreased by 0.5% quarter-on-quarter, while its imports increased by 26% quarter-on-quarter as it struggled to maintained sufficient supply. China's net imports of lithium carbonate fell by 34% from the June quarter, as supply became difficult to source. South Korean lithium hydroxide imports fell by 4.6% in the September quarter 2021, while imports of lithium carbonate fell by 23% quarter-on-quarter, as supply was difficult to obtain. Japan's lithium hydroxide imports rose by 5.2% quarter-on-quarter in the September quarter 2021, while carbonate imports rose by 9.9% quarter-on-quarter, with Japan able to obtain supply. Trade in lithium hydroxide between these nations tends to mirror Chinese refining patterns.

Lithium carbonate imports decreased overall, but Australia's growing exports of spodumene made up for some of the shortfall. Australian spodumene is processed into lithium hydroxide in China, but some domestic capacity for this is being built up.

Lithium demand increasing strongly

World demand for lithium is estimated to increase to 486,000 tonnes of lithium carbonate equivalent (LCE) in 2021, from 305,000 tonnes in 2020. Demand is then forecast to reach 724,000 tonnes by 2023, as global EV uptake rises. Increasing EV uptake is being driven by government measures, lower vehicle prices, and increasing model choice. Currently, there is a shortage of spodumene and lithium carbonate. Project development is underway — as well as increasing interest in recycling — that will aid in meeting the supply shortfall. The shortfall may continue beyond the outlook period.

Asia is still dominating lithium product demand, despite battery factories diversifying into Europe and the United States.

Lithium market: spot prices soar and contracts are negotiated

In the ten months to end October 2021, the spot lithium hydroxide price (delivered to China) averaged US$14,917 a tonne — double what was achieved in the full year 2020. However, in early November 2021, LME cash-settled lithium hydroxide futures closed at US$29.00 a kilogram (or US$29,000 a tonne) via price assessment from Fast Markets. This is 61% higher than the price for the September quarter 2021, which averaged US$18,008 a tonne. The futures market lacks depth at present. As the market matures, lithium hydroxide futures contracts will assist in liquidity and transparency.

Spot spodumene prices (delivered to China) rose to US$2,240 a tonne in September 2021, up over five-fold since the start of the year. Spodumene prices are forecast to rise from an average of US$420 a tonne in 2020 to US$1,185 a tonne in 2022 and US$992 a tonne in 2023, with spot and contract pricing under negotiation.

Some Australian spodumene suppliers have historically worked off long term contracts. Pilbara Minerals' Battery Metals Exchange trading platform — intended to be used for uncontracted spodumene concentrate — commenced in July, with the initial parcel clearing at US$1,250 a tonne. However, at their late-October auction, they achieved US$2,350 a tonne on small volumes. Contract prices for spodumene are expected to increase strongly in 2022, driven both by rising EV production as well as short term supply issues.

(https://publications.industry.gov.au/publications/resourcesandenergyquarterlydecember2021/documents/Resources-and-Energy-Quarterly-December-2021.pdf)

c) Iron Ore

- Iron ore prices have fallen to an 18-month low (around US$90 per tonne) as of early December, reflecting forced cuts to Chinese steel production and weaker demand for steel in that nation in the second half of 2021.
- Australian export volumes are expected to grow steadily over the outlook, from 867 million tonnes in 2020–21 to 920 million tonnes by 2022–23. This reflects the commencement of several new mines in Western Australia.
- Iron ore prices are projected to decline further over the outlook period. This is likely to see Australia's iron ore export earnings fall (from $153 billion in 2020–21) to $118 billion in 2021–22, and $85 billion by 2022–23.

Cuts to China's steel output in Q3 led to big fall in iron ore prices

Following record highs during the first half of 2021, iron ore prices have fallen substantially in recent months, hitting a low of US$85 a tonne by mid-November. The average spot price for 62% Fe iron ore fines at Chinese ports in November was about US$92 per tonne, 60% lower than the peak reached in May 2021, and about 40% lower than at end 2020.

The fall in prices reflects the decline in China's monthly steel production from June 2021. Crude steel output in China for the September quarter 2021 was 16% lower quarter-on-quarter, and 14% lower year-on-year. Total steel output in the 10 months to October 2021 was 876 million tonnes, 0.9% lower than the same period in 2020. This marks a substantial change from the first half of 2021, when steel output in six months to June was running 11% higher year-on-year. Lower steel output follows a significant broadening of emissions-related production cuts by China's central government in the second half of 2021. This has required all of China's provinces to scale back production to 2020 levels by the end of November.

Steel output has also been adversely impacted by recent power shortages experienced in China. More than half of China's 31 provinces were required to implement power rationing from September. While direct cuts to steel production were limited, a significant reduction in manufacturing and industrial output saw reduced demand for steel products, particularly flat steel types such as hot-rolled coil.

The combination of emissions-related curbs and elevated coal prices has seen the premium for higher grades of iron ore (65% Fe content and above) reach multi year highs. Higher grades typically require less metallurgical coal to be used in the steelmaking process, allowing mills to adjust their input mix to cope with the historically high coal prices seen in recent months. Lower levels of metallurgical coal and fewer ore impurities also lead to reduced emission levels (for a given level of output), allowing mills to maximise output while still adhering to steel production curbs. During China's winter season (which typically sees a rise in pollution levels particularly in the north), emission-related production curbs have been placed on as many as 64 cities place through to March 2022.
(https://publications.industry.gov.au/publications/resourcesandenergyquarterlydecember2021/documents/Resources-and-Energy-Quarterly-December-2021.pdf)

In February 2022, Morgan Stanley Research stated that the Benchmark iron ore price decreased 6.2% Y/Y but increased 2.9% M/M to $154.5/t as of Mar. 11, 2022. The 1% iron ore premium fell 5.6% Y/Y, but increased 4.1% M/M at $2.55/t. The 65% Fe price trades at a premium of 19.3% vs. the 62% Fe benchmark, while 58% Fe price trades at a discount of 33.1%. Global steel production totalled 155.0Mt in January, down 6.1% Y/Y and 2.0% M/M. Chinese output decreased 11.2% Y/Y and 5.2% M/M to 81.7Mt. Brazilian production amounted to 2.9Mt, down 4.8% Y/Y.

In 2021, average prices for bulk commodities such as steel, iron ore and coal outperformed, led by strong demand and supply disruptions. US and European hot rolled coil (HRC) prices led the gains with more than 100% increases. Coal prices also benefitted due to increased energy demand, lower than expected renewable energy generation and supply issues. Iron ore prices increased due to a strong recovery in steel production throughout most of the year. Most commodity prices have started 2022 on a strong note. Geopolitical tensions between Russia and Ukraine have accelerated the rally since mid-February. The loss of Russian iron ore and steel exports, and the possibility that European steel producers will find it hard to maintain output amid high energy prices and the possibility of interrupted supplies, will serve to tighten the global iron ore and steel market.
(Source: Morgan Stanley Iron Ore Chartbook – February 2022 & HSBC Global Commodities Research March 2022)

2.2 Course of business

2.2.1 Sun Mirror AG

SunMirror AG (SunMirror or the Company) is incorporated and domiciled in Switzerland and registered in the commercial register under the number CHE-395.708.464. The company's shares (ISIN CH0396131929) are listed on the Vienna Stock Exchange (official market, ticker: ROR1) and are traded on the regulated unofficial markets Frankfurt, Düsseldorf and Berlin (ticker: ROR) as well as on tradegate and Xetra. SunMirror AG itself is a holding company and holds a 100% interest in SunMirror Luxembourg S.A.

On 26 November 2021, SunMirror AG announced that a portion of its 1st convertible bond with a maturity date of 30 May 2022 and an equivalent value of approximately USD 7.1 million are being converted into new shares of SunMirror AG with a nominal value of CHF 1.00 each. Based on the conversion price of CHF 70 per share, this equates to the issue of 95,100 new bearer shares. The new shares are entitled to dividends from 1 July 2021 on. These new shares have been issued in March 2022 and shall be admitted for trading in 2Q2022.

SunMirror AG bearer shares have been admitted to trading on the Official Market (Amtlicher Handel) of the Vienna Stock Exchange on 26 November 2021. The first trading day on the Official Market was 30 November 2021. With this listing, Austria has become the Home Member State for the Company pursuant to section 1 no 14 Austrian Stock exchange Act 2018.

SunMirror AG bearer shares have been admitted to trading on the regulated unofficial market in Frankfurt since 30 November 2021 and on Xetra since 1 December 2021. And tradegate followed in December 2021 as well.

On the annual General Meeting dated 17 December 2021 the shareholders of SunMirror AG elected Ms. Flavia Sennhauser as a new member of the Board of Directors, replacing Lester Kemp, and elected Dr. Heinz Rudolf Kubli as the president of the Board of Directors. In addition, Deloitte AG was re-elected as the auditor.

On 20 December 2021 SunMirror AG issued 52,534 compulsory convertible notes for an issue price of EUR 68.18. The conversion price is on 20 December 2022, the maturity, date is EUR 75 per share.

2.2.2 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. SunMirror Luxembourg itself is a holding company and holds a 100% interest in Lithium 1 Pty Ltd. and Pharlap Holdings Pte Ltd.

2.2.2.1 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.

2.2.2.2 Pharlap Holdings Pte Ltd, Singapore (Pharlap)

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.

2.2.3 Latitude 66 acquisition

On 27 August 2021 SunMirror AG through its wholly owned subsidiary SunMirror Luxembourg 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 ("Lat66 OY") from its parent company Latitude 66 Cobalt Limited ("Parent" or “Lat66”). Further to the announcement made by the Company on 26 August 2021, the Company announced that on 19 December 2021 its wholly owned subsidiary SunMirror Luxembourg S.A. entered into a bid implementation agreement with Latitude 66 Cobalt Limited in connection with the proposed offer to acquire the issued share capital of Lat66, the parent company of Finnish cobalt company at a price of AUD0.467 per Lat66 share. Lat66 OY’s business focus is exploration and mine development with its business operations located in Finland. Founded 4 years ago, Lat66 OY is one of the leading explorers of cobalt in Europe and controls the largest exploration tenement package of any single company in Finland. Lat66 OY’s most advanced mine development project is the fourth largest known cobalt deposit in the European Union and the second largest not yet in production. In addition, Lat66 OY has an extensive exploration portfolio with over 100 targets identified for further exploration. The purchase price per Lat 66 share and per performance right is AUD 0.467 payable to the Lat 66 shareholders and holders of performance rights in cash on closing, for a total amount of AUD 69,116,00, and a 2% net smelter royalty on future production. The Offer was supposed to close on 4 February 2022, if not extended.

The completion of the acquisition of Lat66 is still pending. On 30 November 2021 Mirador FZE subscribed for 1,000,000 new bearer shares at an issue price of EUR 70 per share, of which to date only 248,121 shares have been paid and issued.

On 2 February 2022 SunMirror Luxembourg filed with the Australian Securities and Investments Commission a first supplementary to its bidder statement in relation to the pending takeover offer regarding all outstanding ordinary shares in Lat66 by which the closing date of the takeover offer is extended to 4 March 2022.

On 25 February 2022 SunMirror Luxembourg filed with the Australian Securities and Investments Commission a second supplementary to its bidder statement in relation to the pending takeover offer regarding all outstanding ordinary shares in Lat66 by which the closing date of the takeover offer is further extended to 29 March 2022.

On 22 March 2022 SunMirror Luxembourg filed with the Australian Securities and Investments Commission a third supplementary to its bidder statement in relation to the pending takeover offer regarding all outstanding ordinary shares in Lat66 by which the closing date of the takeover offer is further extended to 17 May 2022.

2.2.4 Results of operations

The interim condensed consolidated financial statements for the six months ended 31 December 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting. In preparation of these financial statements the same accounting policies and recognition and measurement principles were applied as in the Group’s annual consolidated financial statements as at 30 June 2021.

The following table shows the financial performance of SunMirror for the six months ended 31 December 2021 (the period) and the six months ended 31 December 2020 (prior or comparative period). The Notes refer to the interim condensed consolidated group financial statements for this period and should be read in that context.

The interim condensed consolidated financial statements for the six months ended 31 December 2021 were not subject to a complete audit or an audit review by an auditor.

In USD	**Note**	**Jul - Dec 2021**	**Jul - Dec 2020**
Personnel expense	4.1	-418'016	-169'262
General and administrative expense	4.2	-1'792'354	-1'138'959
Other operating expenses	4.7	-3'012'183	0
Net impairment losses on financial assets	4.8	-1'520'638	0
Depreciation expense		-2'601	0
Operating loss		**-6'745'792**	**-1'308'221**
Finance income		954'469	0
Finance expense		-4'568'398	-1'963
Financial result	4.3	**-3'613'929**	**-1'963**
Loss for the period		**-10'359'721**	**-1'310'184**

The overall loss for the period of USD 10’359’721 is significantly higher compared to a loss of USD 1’310’184 for the prior period.

Revenue

SunMirror did not generate any revenues within the period as well as in the comparative period. This is because the company did not start any operating activities yet.

Personnel expense

The increase in personnel expense compared to the prior period arises primarily from the increase in the number of full-time equivalents (FTE) from an average of 1.40 FTE in the period July - December 2020 to 2.85 FTE in the period July - December 2021.

General and administrative expense

In USD	**Jul - Dec 2021**	**Jul - Dec 2020**
Consulting fees and valuation reports	-154'586	0
Listing expense	0	-531'064
Stock exchange fees	-371'756	-228'598
Legal fees and expenses	-416'671	-85'568
Accounting, tax and auditing fees	-271'757	-104'863
Professional fees (related parties)	-238'881	-93'276
Communication/PR costs	-316'732	-85'019
Capital tax	-1'619	-2'983
Other fees	-20'352	-7'588
Total general and administrative expense	**-1'792'354**	**-1'138'959**

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 in prior period. 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. On 26 November 2021 the Vienna Stock Exchange (Wiener Börse) admitted the shares of SunMirror AG to trading on the Regulated Official Market (Amtlicher Handel), segment Standard Market Continuous. The first day of trading was on 30 November 2021. There were cost related to the prospectus in both periods. However, there were significant higher cost in the six months period ended 31 December 2021.

In addition, there were significantly higher expenses in the period relating to professional fees, travel activities, communication and PR compared to comparative period.

Other operating expenses

Other assets contained the exclusivity fee paid in connection with the planned acquisition of Latitude 66 Ltd. Due to delays in receipt of funding to finalize the transaction the exclusivity fee paid was impaired and recorded as other operating expense.

Net impairment losses on financial assets

The Loan given to Latitude 66 Ltd. amounting to EUR 1.3 million (USD 1.5 million) was fully written off on 31 December 2021 as it became non-repayable in accordance with the loan agreement.

Financial result

In USD	Jul - Dec 2021	Jul - Dec 2020
Gains on marketable securities	25'383	0
Foreign currency exchange gain	918'339	0
Interest income	10'748	0
Finance income	**954'469**	**0**
Interest expense	-868'585	0
Brokerage commission	-6'432	0
Foreign currency exchange loss	0	-1'963
Losses on marketable securities	-1'862'682	0
Fair value loss on embedded derivative	-1'830'700	0
Finance expense	**-4'568'398**	**-1'963**
Financial result	**-3'613'929**	**-1'963**

Finance income arises primarily from net unrealized foreign exchange gains on currency conversion of convertible loans denominated in EUR.

Finance expense arises from the expense of the loss on marketable securities of Cadiz Inc., a US listed company (realized and unrealized) and from interest expense on convertible loans. The fair value loss on embedded derivative reflects the increase in the SunMirror share price from the issue date (i.e. December 20, 2021) to the end of the reporting period (i.e. December 31, 2021) from EUR 240 to EUR 270 per share based on 52’534 subscribed notes.

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 as well as in the prior period.

2.2.5 Cashflow Statement

In USD	**Jul - Dec 2021**	**Jul - Dec 2020**
Cash flows from operating activities		
Loss of the period	**-10'359'721**	**-1‘310‘184**
Adjustments to reconcile profit before tax to net cash flows:		
Listing expense (non-cash)	0	531'064
Depreciation	2'601	0
Other non-cash income/expense	4'628'609	0
Financial result	3'613'929	0
Working capital changes:		
Increase/decrease in other receivables	-300'926	-101'189
Increase/decrease in trade and other payables	-41'285	423'040
Interest paid	-26'827	0
Net cash flow from operating activities	**-2'483'620**	**-457‘269**
Cash flows from investing activities		
Payments for exploration expenditure	-176'367	-5'628
Payments in relation to acquisition of Latitude 66 Cobalt Oy	-1'509'889	
Proceeds from sale of securities	2'429'179	0
Net cash flow from investing activities	**742'923**	**-5'628**
Cash flows from financing activities		
Proceeds from issuance of shares	0	540‘522
Proceeds from convertible loan	4'156'857	0
Proceeds from shareholder loan	11'627	0
Payments for brokerage commission	-140'308	0
Net cash flow from financing activities	**4'028'176**	**540'522**
Net foreign exchange differences	17'808	-4‘743
Net change in cash and cash equivalents	**2'305'287**	**72‘882**
Cash and cash equivalent at beginning of year/period	445'443	7
Cash and cash equivalent at end of year/period	**2'750'730**	**72‘889**

The difference between the loss for the period and the cash flow from operating activities is mainly due to losses on financial instruments and impairments on other assets in connection with the planned acquisition of Latitude 66 Ltd. Net cash flow from operating activities of USD -2’483’620 reflects the costs paid for personnel, general and administrative expenses which were significantly higher than in the comparative period with a net cash flow from operating activities of USD -457’269.

The cash outflow for investing activities amounted to USD 1’686’256. This is mainly due to payments for exploration in the amount of USD 176’367 (prior period USD 5’628) and payments in relation to the acquisition of Latitude 66 in the amount of USD 1’509’889 (prior period USD 0). The cash inflow in the amount of USD 2’429’179 reflects the proceeds from sale of securities.

Cash flow from financing activities in the period of USD 4’028’176 resulted mainly of the subscription of the compulsory convertible note issued in December 2021, minus brokerage commission. In prior period there was a capital increase in cash in the amount of USD 540’522.

2.2.6 Financial position and capital structure

The following table shows the financial position of SunMirror as of 31 December 2021 and 30 June 2021:

In USD **ASSETS**	**Note**	**Dec 31 2021**	**Jun 30 2021**
Non-current assets			
Intangible assets	4.6	27'709'543	28'612'437
Exploration and evaluation assets	4.6	3'889'406	3'835'160
Other assets	4.7	0	2'970'914
Total non-current assets		**31'598'949**	**35'418'511**
Current assets			
Financial assets	4.8	487'553	4'758'626
Other receivables		435'541	129'171
Cash and cash equivalents		2'750'730	445'443
Total current assets		**3'673'824**	**5'333'240**
Total assets		**35'272'773**	**40'751'751**
EQUITY AND LIABILITIES			
Equity			
Share capital		2'161'816	2'161'816
Capital reserves		20'413'362	30'888'085
Accumulated losses		-15'355'352	-4'995'631
Foreign currency translation reserve		686'106	1'754'546
Total shareholders' equity		**7'905'932**	**29'808'816**
Current liabilities			
Financial liabilities	4.8	25'633'277	9'635'799
Trade and other payables		1'713'880	1'300'030
Other non-financial liabilities		19'684	7'106
Total current liabilities		**27'366'841**	**10'942'935**
Total liabilities		**27'366'841**	**10'942'935**
Total equity and liabilities		**35'272'773**	**40'751'751**

Non-current assets decreased from USD 35’418’511 on 30 June 2021 to USD 31’598’949 as of 31 December 2021 in the amount of the impaired exclusivity fee paid in connection with the planned acquisition of Latitude 66 Ltd. The majority of the current financial assets were sold during the period, which is why the position as of December 31, 2021 was significantly reduced compared to June 30, 2021.

Financial liabilities increased significantly as of December 31, 2021 compared to June 30, 2021. This is due to the fact that SunMirror had issued a compulsory convertible note with a fixed conversion price of EUR 75 per share in December 2021. While the share price at issuance was quoted at EUR 240. The non-cash offsetting item is shown in the capital structure in equity column Capital Reserves.

Capital Structure

In USD	Share capital (restated)	Capital reserves (restated)	Accumul. Loss (restated)	Foreign currency translation reserve (restated)	Total share-holders' equity (restated)
Balance as at 01 July 2020	327'030	4‘244‘116	-1‘586‘760	-15‘994	2'968'392
Loss for the period			-1'310'184		-1'310'184
Other comprehensive income/loss				2'630'909	2'630'909
Total comprehensive loss/income			-1'310'184	2'630'909	1'320'725
Contribution of Pharlap		27'179'239			27'179'239
Contribution in cash	540'522				540'522
Reverse acquisition in way of contribution in kind	1'294'264	-704'077			590'187
Balance as at 31 December 2020 (restated)	**2'161'816**	**30‘719‘278**	**-2‘896‘944**	**2‘614‘915**	**32'599'065**

In USD	Share capital	Capital reserves	Accumul. Loss	Foreign currency translation reserve	Total share-holders' equity
Balance as at 01 July 2021	2'161'816	30'888'085	-4'995'631	1'754'546	29'808'816
Loss for the period			-10'359'721		-10'359'721
Other comprehensive income/loss				-1'068'440	-1'068'440
Total comprehensive loss/income			-10'359'721	-1'068'440	-11'428'161
Equity reserve for convertible note		-10'474'723			-10'474'723
Balance as at 31 December 2021	**2'161'816**	**20'413'362**	**-15'355'352**	**686'106**	**7'905'932**

SunMirror did not perform any capital increase in the period six months ended 31 December 2021.

In the comparative period there was 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 six months period ended 31 December 2021 and 31 December 2020.

3 Outlook, Risk and Opportunity Report

Outlook

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.

Capital Transactions

On 31 January 2022 SunMirror AG announced that it reopens the (2nd) Compulsory Convertibe Note to offer it to further institutions investors.

On 3 March 2022 SunMirror AG increased its equity by EUR 17’368’500.00 for 248’121 new bearer shares.

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.

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.

Recent developments in Ukraine by Russian forces has focused the world's attention on mineral and energy supply chains. Many countries are now looking inwards to see if they can develop their own natural resources and not rely on foreign sourced supply chains. This provides SunMirror with a great opportunity with respect to its projects.

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, 31 March 2022 Dr. Heinz Kubli, CEO