SUN MIRROR
RESPONSIBLE EXPLORATION

# ANNUAL REPORT 2022/23

# CONTENT

# CONSOLIDATED MANAGEMENT REPORT

2022/23
AS AT 30 JUNE 2023

# ECONOMIC ENVIRONMENT

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# ECONOMIC ENVIRONMENT

**SUMMARY:** Global macroeconomic conditions improved by less than expected in 1H 2023, as tightening monetary policy — aimed at curbing still-high inflation — weakened global demand. Tight fiscal and monetary conditions in most major economies are expected to slow global economic growth over H2 2023 and early 2024. The International Monetary Fund (IMF) forecasts the world economy to grow by 3.0% in 2023 and 2024 and 3.2% in 2025. The outlook for major Asian economies remains weak, with their GDP growth in 2023 forecast to be around 3.75%, well below its pre-pandemic decade average.

## MACROECONOMIC ENVIRONMENT

World growth continues to soften as the rebound in Chinese economic activity post-Covid has been weaker than expected while the impact of higher interest rates in major Western economies is slowing growth, and persistent inflation continues to pose a risk of further monetary tightening.

Savings accumulated by households in China during the pandemic were nowhere near as large as in many Western nations and youth unemployment has hit a record rate of over 20%, putting pressure on the Government to announce new measures to boost growth.

High local government debt in China remains a major concern. It is likely to take some quarters before China grows strongly enough to give resource and energy commodity prices a meaningful boost.

Monetary policy has been tightened further in the major Western economies reducing upward pressure on employment and wages. However, consuming nations' efforts to replenish/fill strategic oil reserves, and output cuts by energy producers, will act to support oil prices.

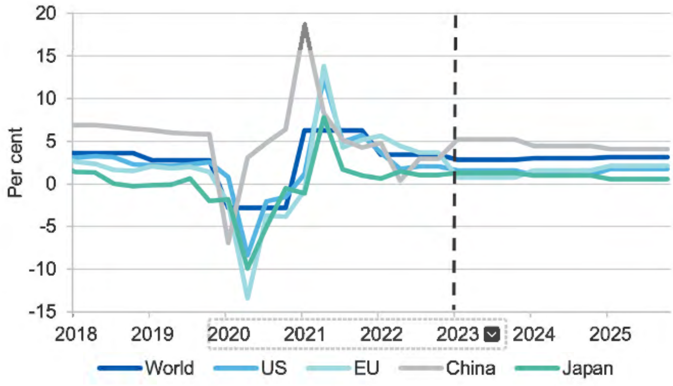
# WORLD ECONOMIC OUTLOOK

The IMF expects a substantial divergence to emerge between the performance of advanced and emerging economies over the next two years. After recording growth below the global average last year — for the first time in more than 40 years — China's economy is expected to exceed 5% growth this year. However, the US and EU are expected to slow in 2023, under the weight of tighter monetary policy.

China's rebounding economy offers a boost to the growth prospects of its trade partners, but additional risks to the global outlook have emerged in recent months. While headline inflation has continued to moderate in most economies this year — due to lower energy and food prices — there has not been a sufficient decline in core inflation.

Labour markets remain resilient, with near full employment conditions persisting in many major advanced economites resulting in decade-high wage growth. However, job vacancy-to-unemployment ratios have moderated in recent months, pointing to a modest easing in labour demand.

GDP Growth - Historical and Forecast




Source: IMF (2023)

Despite these tight labour markets, reduced consumption— due to inflation and tighter monetary policy — is driving expectations for further slowing of growth over the remainder of the year. Weaker consumer demand for goods relative to services in the US and Europe will also weigh on the economic growth of manufacturing exporters — including China, Japan and Korea.

The IMF notes that tighter monetary policy is a key risk to the outlook if inflation pressures, particularly in services, prove more persistent than expected. Another source of global economic vulnerability stems from the possibility of the war in Ukraine escalating, and of further geopolitical fragmentation.

An additional risk is the uncertainty surrounding further financial sector vulnerabilities, tightening global financial conditions. The IMF's baseline economic forecasts assume recent financial sector stresses are contained.

*Source: https://www.industry.gov.au/sites/default/files/2023-07/resources-and-energy-quarterly-june-2023.pdf*

# Relevant Commodity Markets

## GOLD

**SUMMARY:** Gold prices have averaged US$1,920/oz in 1H 2023, with support coming from strong safe-haven buying and a slightly weaker US dollar. Prices are forecast to remain elevated but decline gradually to average around US$1,770/oz in 2025. Australian gold production decreased to 71 tonnes in 1Q 2023, due to disruption from heavy rainfall. Production is forecast to increase with new projects and expansions. Gold earnings are forecast to decrease from $23 billion in 2022–23 to around $21 billion in 2024–25, as lower prices outweigh higher volumes.

### World gold consumption decreased in the March quarter of 2023

World gold demand decreased by 13% year-on-year to 1,081 tonnes in 1Q 2023. This was driven by a 51% decline in investment demand, partially offset by continued strength in central bank net purchases.

Central banks and other government financial institutions buying increased by 176% year-on-year to a record first-quarter high of 228 tonnes in the March quarter 2023.

Consumer demand for gold (jewellery, gold coins and bars) in 1Q 2023 was higher year-on-year, however this growth was more than offset by outflows from gold-backed ETFs.

### Gold consumption to grow over the medium-term

World gold consumption is forecast to increase gradually after 2023, to reach about 4,500 tonnes by 2025. Demand growth is expected to be largely driven by increasing jewellery consumption, with investment demand and technological usage contributing to a lesser extent. Jewellery consumption is forecast to grow strongly from 2023 onwards, to reach 2,500 tonnes by 2025, supported by improvements in consumer sentiment and rising incomes, particularly in the key markets of China and India, with lower gold prices and a weaker US dollar expected to drive demand up almost 10% in 2024.

Investment demand is forecast to remain steady through 2025 at around 1,150 tonnes as inflation eases down towards central bank targets resulting in interest rates declining over the medium-term. A decline in real interest rates will support institutional investment and retail demand. Physical (bar and coin) demand is expected to remain strong, as lower prices and economic uncertainty support buying activity near recent elevated levels. Official sector demand is projected to moderate to around 550 tonnes a year in 2024 and 2025. Buying activity is expected to be strongly driven by emerging market central banks, which will continue long-term diversification of their reserves with gold.

### World supply increased in March quarter 2023

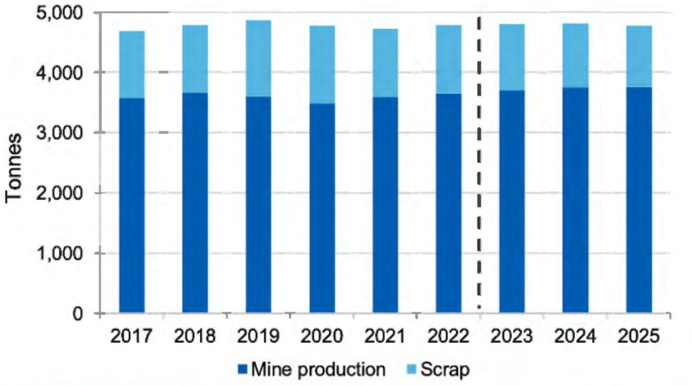
World gold supply increased by 0.8% year-on-year to 1,174 tonnes in the March quarter 2023, driven by both higher mine production and recycling. Global mine production rose by 1.5% year-on-year to a record high March quarter of 856 tonnes, driven by increased production from the major producers and ramp-up of new projects in Mongolia and Brazil.

Production in China - the world's largest gold producing country - rose by 1.9% year-on-year to 85 tonnes in 1Q 2023, with the result of fewer weather- and COVID-related disruptions. In Australia - the third-largest gold producing country - output decreased by 2.6% year-on-year in 1Q 2023, to 71 tonnes, due to disruptions from heavy rainfalls. Gold recycling rose to 310 tonnes - the highest March quarter in 7 years - in response to stronger gold prices. Recycling growth was strong in India (up by 25% year-on-year), a particularly price- sensitive market.

## World supply to stabilise after peaking in 2024

Global gold supply is forecast to stabilise at around 4,800 tonnes in the period to 2025, with increasing world gold mine production offset by decreasing recycling activity. World gold mine production is forecast to rise by 1.0% a year on average by 2025 to 3,760 tonnes, led by increases in Canada, Chile and Brazil, while continued environmental regulations and industry consolidation in China will see production fall over the medium-term. Partially offsetting increases in mine production, gold recycling activity is forecast to decline on average by 3.8% a year by 2025, due to lower forecast gold prices.

Global Gold Production - Historical and Forecast




Note: Net producer hedging is not included.

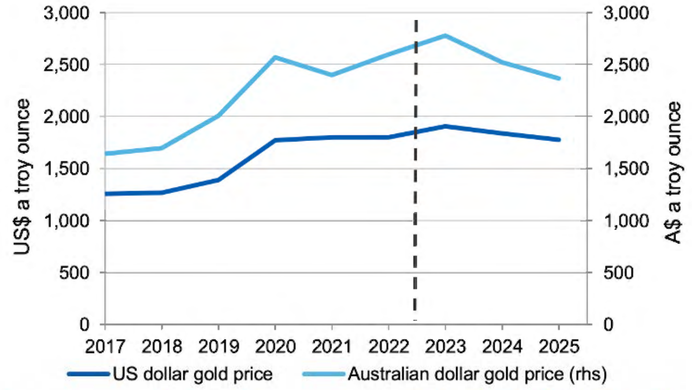
Source: Department of Industry, Science and Resources (2023); Metals Focus (2023); World Gold Council (2023).

## Gold prices rose strongly in 1H 2023

Gold price rose as high as US$2,050/oz in May 2023, with prices 1H 2023 averaging around US$1,920/oz — 2.7% higher than in 2022. The rally through March was due to increased safe-haven buying, following problems with several tier 2 US banks. Prices have remained at high levels, due to a range of factors including lower US Treasury yields, a weaker US dollar and strong central bank buying. Real US Treasury yields - which has historically held an inverse correlation with gold prices - underwent a correction from 14-year highs, as markets increasingly priced in interest rate cuts by the US Federal Reserve.

Lower bond yields tend to increase gold's appeal to institutional and retail investors as a secure asset to hedge against inflation or other risks. This is because decreases in the yield of a US (or other credible government) Treasury bond lower the so-called market "risk-free rate", and hence the opportunity cost of holding gold, although the relationship between real bond yields and gold prices weakened sharply following the Russian invasion of Ukraine — as prices were lifted by heightened safe-haven demand for gold — and led to the US dollar becoming a stronger driver of gold prices.

Gold Price - Historical and Forecast




Source: Department of Industry, Science and Resources (2023); LBMA (2023) Gold price PM

## Gold exploration expenditure declined in the March quarter 2023

Australia's gold exploration expenditure decreased by 21% year-on-year to $286 million in the March quarter 2023 (70% of which in Western Australia). As a result, gold's share of Australian mineral exploration expenditure declined to an 8-year low of 32% in the quarter, down from 43% a year earlier. This decline in exploration occurred despite soaring Australian gold prices, which have historically motivated high exploration expenditure.

# LITHIUM

**SUMMARY** The value of Australian lithium exports is set to decline from its 2022–23 record, with lower prices offsetting the impact of higher export volumes. Prices are falling as the global supply of lithium catches up to global demand. Project expansions and new mines will enable Australian lithium mine production to rise, with a growing share of mine output refined domestically to produce lithium hydroxide. Sources of global lithium supply continue to diversify amidst international efforts to strengthen critical minerals security. This provides further opportunities for investment in Australian lithium assets. .

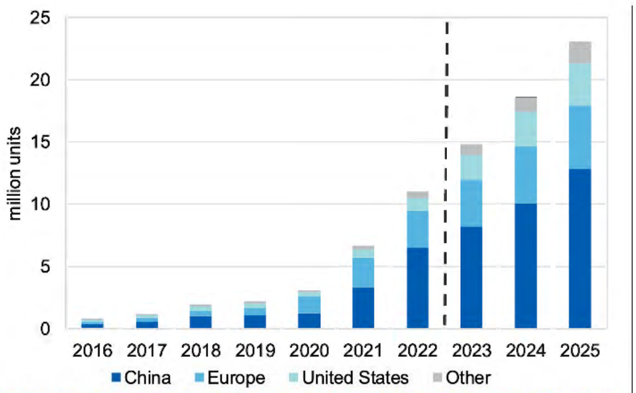
## EV Policy support across major economies

China leads global EV sales, with the highest EV share of domestic vehicle sales (28% in 2022). The high uptake of EVs in China was supported by domestic subsidies that commenced in 2009. In June 2023, the vehicle purchase tax exemption was extended through end 2027. Chinese EV uptake is expected to increase from 6.5 to 13 million over the outlook period. Several local governments have also announced incentives to support the attainment of national EV targets. China has already surpassed the country's target of a 20% share for 'new energy vehicles sales by 2025. The country's national action plan sets a target of 40% sales share by 2030.
Europe is the second largest EV market and increasing EV uptake is expected despite lower government support expected in coming years. The EV share of vehicle sales is high (21% in 2022) and sales are expected to increase from 3.0 to 5.1 million over the outlook period. The IEA reports per-unit support by European governments of around US$6,000 since 2017 but notes average support could drop in 2023 and beyond — as subsidies decrease in countries such as Germany, the United Kingdom, and France.
Between 2025 and 2029, EU car manufacturers that achieve a 25% share of 'zero and low emission cars' will benefit from an incentive mechanism. In March 2023, the 'Fit for 55' package was announced, requiring new car sales to have 55% lower CO2 emissions from 2030 and zero emissions from 2035.
In the United States, newly announced policy support is expected to drive increased EV uptake from current low levels. US EV sales are forecast to rise from 1.0 million in 2022 to 3.3 million in 2025. The EV share of US vehicles sales is currently relatively low (7.3% in 2022). Previously, the primary policy support for EVs in the US was a tax credit.

## Growing production of lithium required to meet rapidly increasing demand

World lithium production is forecast to continue growing, spurred by rapidly increasing world demand induced by the global energy transition, and the high prices resulting from lithium market deficits in recent years. In LCE terms, world lithium production is forecast to increase from 737 kt to 1472 kt over the period 2022–25. This rise will result from increased investment in the extraction of brine and mining of hard rock, including spodumene and lepidolite. To meet rapidly growing demand for lithium, increased global investment in lithium refining is expected.

### Global EV Sales - Historical and Forecast

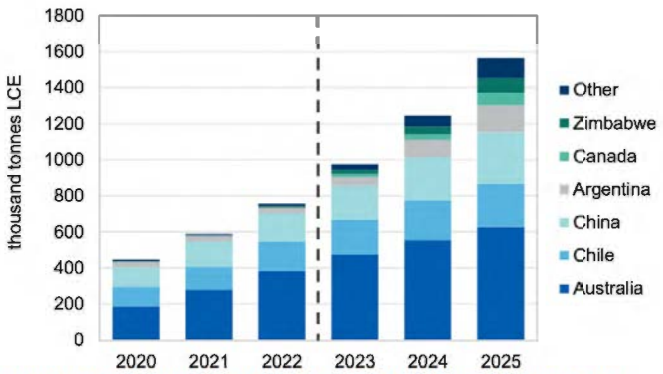



Note: Electric vehicles are defined to be battery electric vehicles and plug-in hybrid electric vehicles.
Source: Wood Mackenzie (2023)

## Increasing extraction of lithium, uncertain influence of governments

Increased extraction of lithium resources reflects higher production across all major producer nations alongside the ramp up of some smaller producers. The main uncertainty for this forecast relates to recent announcements by governments in Chile and China. Australia leads global lithium extraction (50% in 2022) and spodumene production is forecast to increase from 382 to 631 kt LCE in the 2022–25 period.

## Global Lithium extraction, by country




Note: Global lithium extraction differs from the measure of world lithium production in this report. Lithium production is defined to reflect refined production of lithium chemicals such as lithium hydroxide and lithium carbonate. In contrast, lithium extraction includes lithium resources extracted from brines or mines.
Source: Department of Industry, Science and Resources (2023), Wood Mackenzie (2023)

Chile (the second largest source of lithium extraction) is expected to see further growth in lithium production over the outlook. While Chile announced plans to nationalise the lithium industry in April 2023, the government stated its intention to honour current lease arrangements that extend out to 2043 for Albemarle and 2030 for SQM. As a result, this announcement is assumed to not materially impact production by 2025.

The rate of growth in lithium extraction in China faces some uncertainty due to the prospect of further government regulation. A key uncertainty relates to the policing of Chinese industry mining/processing standards, particularly for the extraction of lepidolite. In February 2023, government investigations led to closures of some producers (mainly lepidolite), due to unlicensed mining and environmental infringements. Stricter regulations would decrease production in the short term, but could lead to an increase in the ESG credentials of Chinese lithium suppliers in the medium to long term.

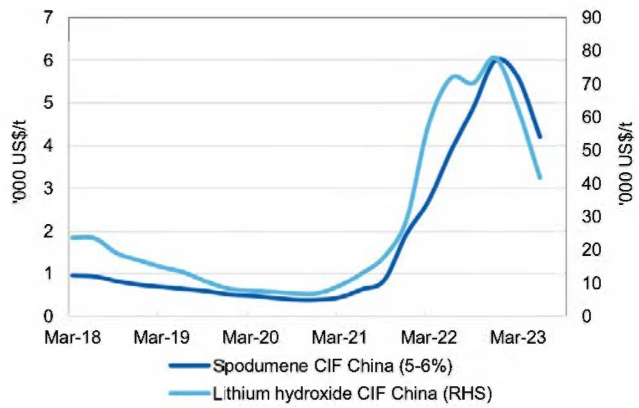
In terms of other countries, Argentina, Canada and Zimbabwe, are expected to significantly increase lithium extraction, and account for a combined 19% share of global extraction by 2025 (from 5.1% in 2022).

## Lithium prices to moderate as supply catches up with demand

Lithium prices rose dramatically in 2022, as rapidly growing global demand outpaced growth in global supply, driven by the unprecedented pace of EV demand growth in 2021 and 2022. This was in direct contrast to the two preceding years. Insufficient growth in global EV sales during 2019 and 2020 contributed to lithium production outpacing demand, resulting in the build-up of lithium inventories and large decreases in lithium prices. Unfavourable prices over that period led to several mine operations becoming insolvent or being placed under care and maintenance, and incentivised less investment in lithium supply, contributing to global demand outpacing global supply.

In 2022, spot prices for spodumene (concentrated ore) averaged US$4,368 per tonne, well above the average level of US$671 per tonne over the 3 years to 2021. The spot price of lithium hydroxide (a lithium chemical that has undergone refinement and is generally battery grade) averaged US$69,370 per tonne in 2022, dramatically higher than the average price of US$12,163 per tonne over the 3 years to 2021.

### Spodumene and Lithium Hydroxyde Prices




Source: Bloomberg (2023)

Prices are forecast to remain elevated in 2023, then decline significantly in 2024 and 2025, as the supply of lithium catches up to demand. Demand is expected to grow at recent high rates, driven by growth in global EV sales — forecast at 3–4 million units over the forecast period. Growing demand and high prices have driven an acceleration in growth of lithium supply tot he extent that there are increased instances of lower grade production. In particular, the average brine grade continues to be diluted by new entrants in marginal fields, and there are rising instances of direct shipped ore with lithium concentrations as low as 1–2% compared to typical spodumene concentrate of 6%. Lithium prices are expected to decline, but not to the low levels observed in 2019 and 2020. The average spot price of spodumene is forecast to rise slightly in 2023 (to about US$4,357 per tonne), then decline to average US$2,740 per tonne in 2024 and US$2,149 per tonne in 2025. The spot price of lithium hydroxide is forecast to decline at a faster pace, falling to be about US$46,746 in 2023, then decline further to around US$35,416 per tonne in 2024 and US$30,357 per tonne in 2025.

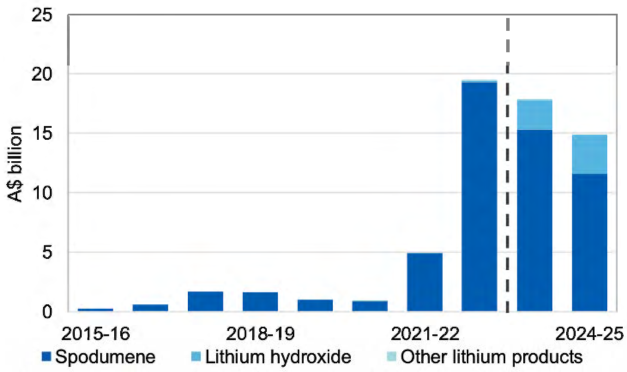
## Increasing Australian lithium mine production, expansions for most mines

Australia leads global lithium extraction, and mine production is forecast to continue growing. Mine production of spodumene is forecast to rise from 3.1 million tonnes (Mt) in 2022–23, to 3.4 Mt in 2023–24, and to 4.0 Mt in 2024–25. In LCE terms, this equates to 452 kt in 2022–23, 507 kt in 2023– 24, and 596 kt in 2024–25. Rising mine production is driven by expansion of existing mines, including Greenbushes, Wodgina, Pilgangoora, Mt Marion and Mt Cattlin. Furthermore, production has commenced at Finniss and is expected to commence at Mt Holland and Kathleen Valley. Other lithium deposits are under exploration and are assumed to not achieve production by 2025.

## Record lithium export earnings to decrease as prices decline

The value of lithium exports is expected to be $19.5 billion in 2022–23, a significant increase from the previous record of $5.0 billion in 2021–22. The increase was driven by prices nearly tripling and the volume of spodumene exports increasing by 44%. The value of lithium exports is forecast to decline to $17.8 billion in 2023–24, then decrease further to $14.9 billion in 2024–25 driven by falling prices in through 2025, despite remaining high in historical terms. In terms of volumes, spodumene exports will grow at a slower pace, due to an increasing share of domestic refining to produce lithium hydroxide.
In 2021–22, 96% of spodumene by volume was exported to China. The remainder was exported to countries such as Belgium (2%), South Korea (1%), and the United States (1%).

### Spodumene and Lithium Hydroxide Exports - Historical and Forecast




Note: Before January 2021, ABS spodumene exports data was subject to confidentiality. Data prior to this date is sourced from WA Department of Mines, Industry Regulation and Safety.
Source: ABS (2023), Department of Industry, Science and Resources (2023), WA Department of Mines, Industry Regulation and Safety (2022).

*Source: https://www.industry.gov.au/sites/default/files/2023-07/resources-and-energy-quarterly-june-2023.pdf*

# IRON ORE

**SUMMARY** Spot iron ore prices have moderated in 2Q 2023, driven by the slowdown in global economic growth and an easing in the rate of recovery of Chinese steel production. Australian export volumes have been rising steadily in recent years with further greenfield supply from established and emerging producers expected to come online in the next few years. Australia's iron ore export earnings are expected to decline from $123 billion in 2022–23 to $110 billion in 2023–24, and to $93 billion in 2024–25, driven by lower prices over the outlook period.

## Iron ore price and China steel production, monthly

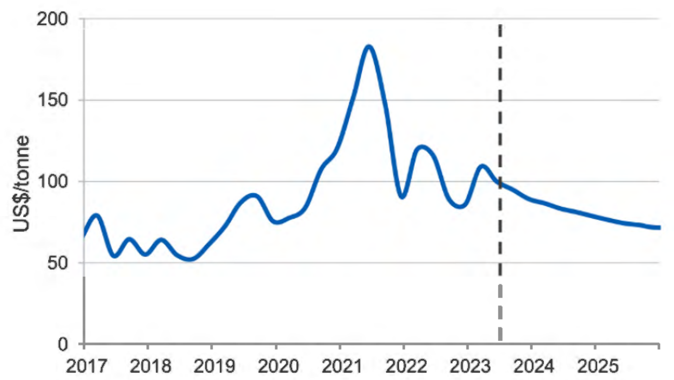

Notes: China import Iron ore fines 62% Fe spot (CFR Tianjin port)
Source: Bloomberg (2023) China import prices; World Steel Association (2023)

### Prices to ease over outlook as global iron ore demand softens

China — which accounts for almost 60% of global iron ore demand — is projected to see a modest fall in total steel output over the outlook period to 2025. This is expected to soften the rate of growth (1.1% annually) in global iron ore demand in the coming years, driving iron ore prices down.

China faces a number of key structural drivers that are expected to contribute to lower growth in iron ore demand. China's stated aim to reach peak steel output by 2030 — as part of a longer-term shift in its economy away from investment-led (and toward consumption-led) growth — is a key driver.

## Iron ore price - Historical and Forecast




Notes: China import iron ore fines 62% Fe spot (FOB)
Source: Bloomberg (2023); Department of Industry, Science and Resources (2023)

A falling population and workforce in China is expected to contribute to more modest rates of economic growth overall, as well as less 'steel intensive' growth. With the real estate sector constituting as much as 25% of the Chinese economy, property sector weakness will continue to suppress near-term steel demand.

However, over the outlook period, strong growth in ex-China iron ore demand is expected from rising steel demand and production capacity in regions such as emerging Asia and the Middle East. This includes over 100 million tonnes of integrated (Blast Furnace-Basic Oxygen Furnace) steelmaking, expected to come online in the next few years in Asia alone.

On the supply side, the world's two largest producers — Australia and Brazil — are expected to continue to grow export volumes by 3.0% per annum over the outlook period to 2025. This follows a ramp up of greenfield projects for major Australian miners, and major expansions planned by Brazilian producers Vale, CSN and others. New supply from emerging producers in Africa will also contribute to the growth in global trade of iron ore.

From an estimated average price of around US$98 per tonne (FOB) in 2023, the benchmark iron ore price is projected to progressively decline to an average of about US$74 per tonne by 2025.

Portside sales of iron ore in China are expected to continue as a relatively small, though important, form of access for global trade of iron ore over the outlook period. The settlement of trades in Chinese renminbi (as opposed to US dollars) will likely continue to grow. Last year, BHP delivered its first shipment of a spot trade of RMB-based iron ore, with other major producers (such as Rio Tinto and Fortescue) also reporting a significant increase in portside sales. This, along with the introduction of a new RMB-backed futures contract for China portside fines by CME Group, is consistent with the broader objective set out by China in its current 5 year plan to promote the international use of the RMB, particularly in the trade of commodities.

### Australian earnings to fall as easing prices offset production rises

Australia's iron ore export earnings were $32.9 billion in the March quarter 2023, a 5.8% (or $1.8 billion) increase year-on-year. The rise reflected slightly stronger iron ore prices, with the unit export price in the 1Q 2023 averaging around $152 per tonne — 1% higher compared with the same period in 2022.

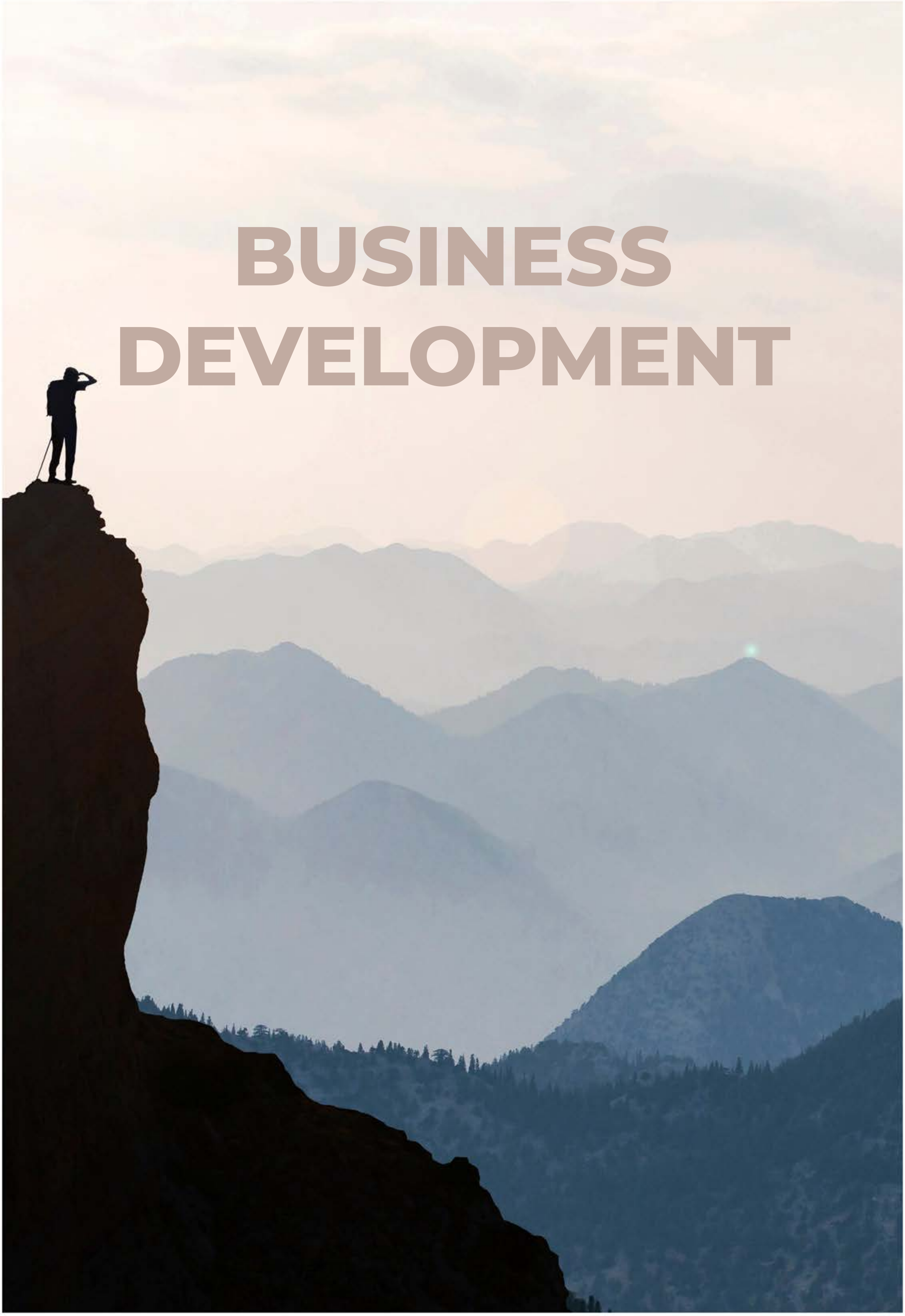
Australia exported 222 million tonnes of iron ore in the March quarter, up 7.7% year-on-year. The increase reflected the ongoing ramp up of Rio Tinto's Gudai-Darri, BHP's South Flank and Fortescue's Eliwana.

### Australian exploration fell in March quarter 2023

A total of $137 million was spent on iron ore exploration in the March quarter 2023. This was 21% lower compared with the previous quarter, and 1.4% lower than the same period in 2022. Exploration has fallen from near decade highs last year, following iron ore prices reaching historical highs in the first half of 2021.

*Source: https://www.industry.gov.au/sites/default/files/2023-07/resources-and-energy-quarterly-june-2023.pdf*

# BUSINESS DEVELOPMENT



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# BUSINESS DEVELOPMENT

## Business Update

Fiscal 2023 has been a year of transition where much has been achieved to lay strong foundations for future development of the Group.

First of all, we have gone a long way in reducing overhead and expenses at the Group level, with a reduction of monthly cash burn by approximately 48% compared to 2021/2022. We have further plans for overhead cost reduction in 2023/2024. Reorganization of the Group at the SunMirror Luxembourg S.A. level has been postponed as various tax implications are being considered.

In terms of business development, we have focused on SunMirror's existing exploration assets, Moolyella and Kingston Keith and made significant progress at both, as detailed in the next few pages. lays the ground for drilling activities in 2024. Various consultations with the local aboriginal populations need first to be completed and regulatory approvals for our plans of work at both licanses obtained. Given its lower cash burn, the Group has the flexibility to reduce discretionary capital expenditures in case of adverse market conditions.

The Group remains focused on diversifying its portfolio of assets and has been reviewing a number of early stage exploration license opportunities. No acquisition has been completed in 2022/2023 but we expect further developments on this front in 2023/2024.

## Business Activities

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

In 2020 the Group started its activities in the raw material sector and is in the early stage of exploration activities which continued through to mid 2023. 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.

## 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 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 pursues discussions with various potential partners that could participate in the development of its projects with carries and milestone-based earn-ins. This approach will contribute to SunMirror ability to diversify its portfolio of assets. 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 attractive prospects for the projects.

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 is furthermore on assets located in stable, low risk jurisdictions, e.g., Australia, Europe and possibly select African countries. By focusing on mineral assets in these more mature jurisdictions, management of SunMirror tries to avoid typical expropriation and political risk associated with mineral assets in more challenging countries.

# 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.

# 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 (E 45/5573) granted on 23 December 2020 for a term of five years for an area of approximately 93 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, except for a historic JORC-compliant resource on tin and tantalum published by a previous operator, LitheX Resources Limited. Nevertheless, the area is highly prospective for both lithium and tin, the latter of which was exploited in the 1890's.

  In November 2022, the company sought quotes from 3 airborne geophysical contractors to fly both the Moolyella and Kingston Keith Licences.

  On the 8th of December 2022, MagSpec mobilised an aircraft ot he Moolyella licence area to begin the survey, and on the 11th December 2022, the survey was completed. A total of 2,358 line kilometres were flown on a 50m line spacing. Following a period of QA/QC and data processing, the final report was delivered to SunMirror on the 9th January 2022.

The MagSpec Survey data was then sent for further reprocessing by a third party geophysical specialist, Southern Geoscience Consultants (SGC) to generate a 1: 20,000 scale litho-structural interpretation and target generation map for lithium within the licence area.

Southern Geoscience Consultants (SGC) is a specialist group of geoscientists focused on providing the highest quality integrated geophysical solutions in the resources industry.

SGC were engaged to reprocess the MagSpec data and carry out a full litho-structural interpretation of the licence area (by integrating all relevant geoscientific information as well as the reprocessed geophysics) to generate priority target areas for follow up field checking (in this case, soil sampling).

SGC's Final Report was delivered on 30th May 2023 highlighting numerous targets areas for follow up investigation.

In March 2023, SunMirror (through it's wholly-owned subsidiary Lithium 1 Pty Ltd) concluded a Heritage / Land Access Agreement with the Nyamal Aboriginal Corporation (the traditional landowners in the licence area), which paves the way for detailed physical on the ground exploration work.

At the beginning of June, Terra Search Pty Ltd (a mineral exploration services and geology company based in Perth, was engaged to collect up to 3,500 soil samples over the priority 1 target areas identified by SGC. The sampling work was completed by the end of July.

All samples are now at the Nagrom laboratory in Perth for lithium and lithium pathfinder analysis. Early results released so far show promising lithium targets some of which represent the extension into our licence of lithium-bearing structures from within adjacent competitor licence areas.

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- **Kingston Keith:** The Group holds an exploration license (E 53/1953) 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, lithium and potentially nickel. The property is an exploration project with no JORC-compliant mineral resources defined as yet.

In December 2022 the Company signed an agreement with MagSpec Airborne Surveys Pty Ltd to carry out an aeromagnetic and radiometric survey over the entire licence area. The survey began on the 12th January this year (2023) and was completed on the 16th January.

In July this year, Southern Geoscience Consultants was also commissioned to re-process the MagSpec data and carry out a full structural study over the entire license area to delineate potential gold and lithium targets for further investigation (soil sampling).

The data from a forthcoming soil sampling program will then help to establish drill hole locations for a forthcoming drill campaign in the latter half of next year.

A geological database over the entire license area was purchased from SensOre (a specialist minerals targeting company optimizing discoveries through AI-enhance exploration) including a proprietary Artificial Intelligence (AI) Lithium Fertility Index study, which identified 3 'fertility' target areas within the middle part of the license.

Discussions were held with third parties with the intention to enter into a potential joint venture on Kingston-Keith, but these discussions have not yet led to a commercial agreement. We are also engaging g with other parties to develop potential areas of cooperation.

Negotiations on the terms and conditions for a Land Access / Heritage Agreement with the local Native Title Group in the Kingston Keith area are ongoing.

- **Cape Lambert:** The Group holds a royalty on future mine production from the MCC Australia Sanjin Mining Pty Ltd ("MCC")'s retention license (R 47/18) on their Cape Lambert magnetite project covering an area of approximatelt 84 square kilometers in the Cape Lambert region in Western Australia (and more broadly on the territory covered by defunct license E47/1462). This is a passive holding investment held by the Group.

  The Group does not expect any royalties from the project 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 Group may look at selling its royalty if approached by a third party offering a fair value.

  The maximum licence term for a retention licence is 10 years.

  The Group assets of the company, located at Moolyella and Kingston Keith are at an exploration phase and do not produce any revenue for the time being. A pre-feasibility study was completed by MCC but has not yet been placed into production. The Group expects that production at MCC's Cape Lambert mine will not start in the short term.

  An exploration budget for the fiscal year 2024 of roughly USD 1.1 million is estimated for the company's Australian projects. This amount is subject to continuous review by the Board and is dependent on positive results generated from ongoing exploration work.

# Acquisitions

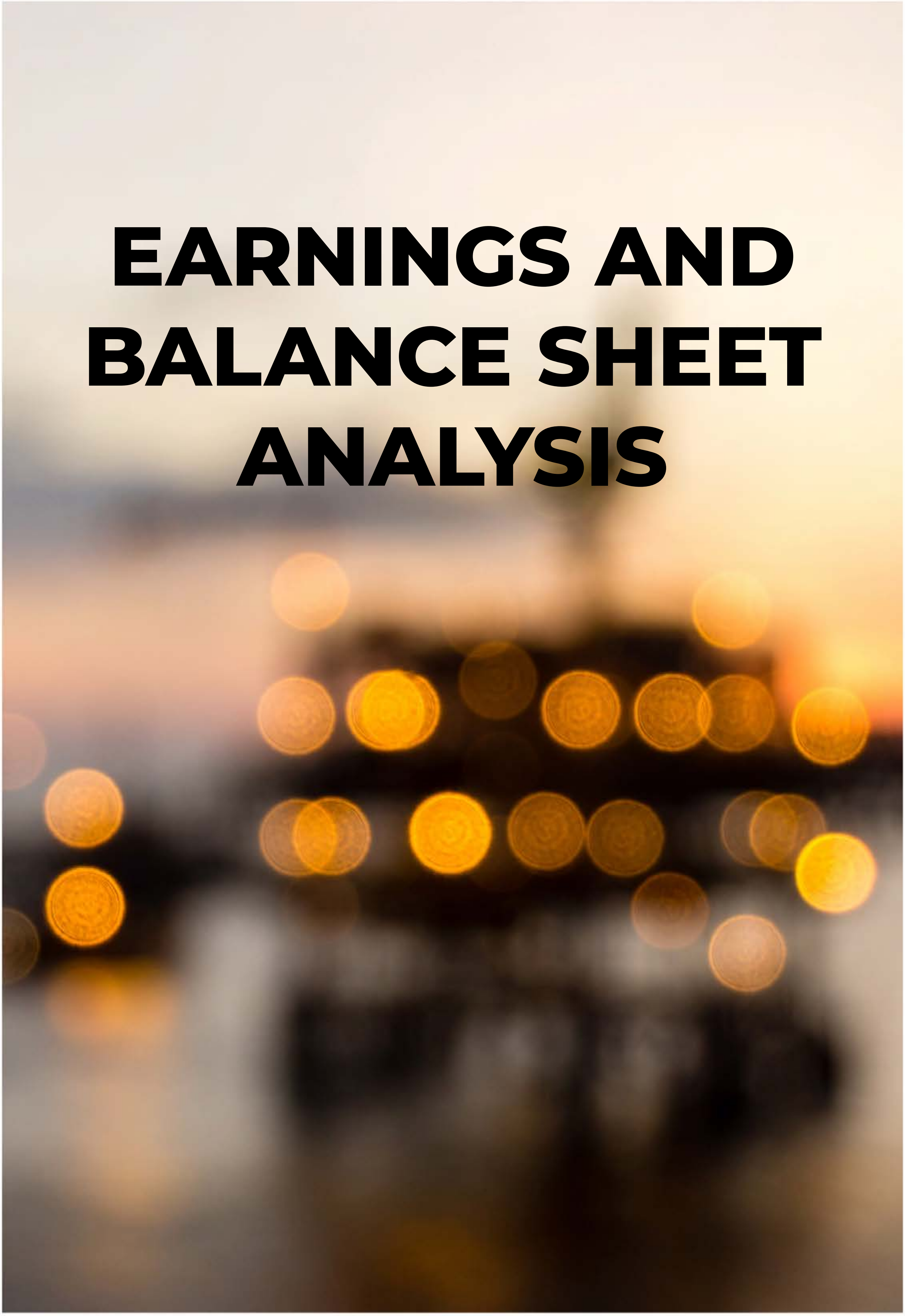
## LATITUDE 66 ACQUISITION

The bid of SunMirror Luxembourg published on 22 December 2021 to acquire all shares in Latitude 66 Cobalt Limited ended unsuccessfully on 12.07.2022, as the minimum acceptance condition (90% acceptance, by number, of all Lat66 shares) was not fulfilled at the end of the offer period. Until the very end of the Offer Period, SunMirror attempted to meet the agreed requirement to raise EUR 70 million of additional capital within the agreed and repeatedly extended timeframe. Unfortunately, this did not succeed because only part of the EUR 70 million subscribed as part of the capital increase was paid by the investor.

## OTHER ACQUISITIONS

The Group continues to be on the lookout of acquisition or partnership opportunities to complement its portfolio of assets in Australia with a focus on other developed countries and/or select African countries. Some discussions are taking place with companies looking to combine or sell assets.

# EARNINGS AND BALANCE SHEET ANALYSIS



# CONTENT

# EARNINGS AND BALANCE SHEET ANALYSIS

The consolidated financial statements of SunMirror Group for the twelve months ended 30 June 2023 have been prepared on a going concern basis in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

## Revenue

SunMirror did not generate any revenues within the reporting period 2023 as well as in the comparative period 2022.

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 18 months funded by financial means already available to the Group as well as other financing to be provided by investors if needed. The Group holds a passive royalty over the Cape Lambert North project in Western Australia and has no influence over actions taken by MCC Australia Sanjin Mining Pty Ltd (MCC). The project is held by MCC under a Retention Licence. A pre-feasibility study was developed for the project in 2012 but to the Company's knowledge, no decision to develop the project has been made. The Group expects that production at the Cape Lambert mine will not start in the short-term as described above.

## Other income

Other income results from the reversal of trade and other payables. In principle, this relates to legal proceedings which were concluded with the competent courts in the reporting year 2023 The trade and other payables that have now been derecognized and the corresponding expenses were recognized in prior reporting periods.

## Exploration expenditure

Currently, the two evaluation and exploration assets Moolyella and Kingston Keith are being explored for potential resources subject to economic development. The costs incurred were fully capitalized in the financial years 2023 (USD 0.2 million) and 2022 (USD 0.3 million), which is why there were no charges in the statement of profit and loss.

Please note that in the Earnings and Balance Sheet Analysis sections of this report the thousand separation is noted as an apostrophe instead of a comma.

# Personnel expense

| *In USD thousand* | 2023 | 2022 |
|---|---|---|
| Wages and salaries | -865 | -824 |
| Share-based payments | -8 | 0 |
| Social security and insurance contributions | -41 | -69 |
| Defined benefits plans | -18 | -31 |
| Defined contribution plans | -4 | -3 |
| Other personnel expenses | -13 | -14 |
| **Total Personnel expenses** | **-949** | **-941** |

Personnel expense remained virtually unchanged in the reporting year and amount to USD 0.9 million for 2023 (2022 USD 0.9 million) even if there have been significant personnel changes. The number of full-time equivalents (FTE) decreased slightly from an average of 3.3 FTE in the financial year 2022 to an average of 3.2 FTE in the financial year 2023.

# General and administrative expense

| *In USD thousand* | 2023 | 2022 |
|---|---|---|
| Consulting fees | -97 | -947 |
| Regulatory expenses | -213 | -574 |
| Legal and tax fees | -588 | -949 |
| Accounting and auditing fees | -680 | -726 |
| Investor Relations | -294 | -505 |
| Capital tax | -14 | -8 |
| Other operating expenses | -153 | -108 |
| **Total General and administrative expenses** | **-2'039** | **-3'817** |

General and administrative expense decreased by 46.6% (USD -1.8 million) in the reporting period and amount to USD 2.0 million in 2023 (2022: USD 3.8 million).

With the failure of the Latitude 66 acquisition, the consulting contract with Opus Capital Switzerland AG (now Calym AG) was subsequently terminated. These measures led to an approximately 10-fold reduction in consulting fees.

Following the listing on the Vienna Stock Exchange in the fall of 2021, regulatory expenses and investor relations expenses in 2023 were also significantly lower than in 2022.

Legal costs were only reduced with some delay in the 2nd half of the financial year 2023 because some legal cases dragged on until the final court decisions were available.

Accounting and auditing costs remain at a high level. These costs are due to the fact that the reporting requirements for a listed company are significantly higher than for an unlisted company or for a company listed on the Open Market.

## Depreciation and impairment losses

| *In USD thousand* | 2023 | 2022 |
|---|---|---|
| Impairment of exclusivity fee for the acquisition of Latitutde 66 | 0 | -3'012 |
| Impairment of loans granted to Latitude 66 | 0 | -7'821 |
| **Total Depreciation and impairment losses** | **0** | **-10'833** |

In the reporting period 2023 there were no depreciation and impairment losses. However, depreciation and impairment losses occurred in 2022 in the amount of USD 10.8 million covering the exclusivity fee and the loans which were granted in connection with the failed acquisition of Latitude 66.

# Financial result

| *In USD thousand* | 2023 | 2022 |
|---|---|---|
| Gains on marketable securities | 42 | 0 |
| Foreign currency exchange gains | 81 | 1'283 |
| Interest income | 13 | 14 |
| Other financial income | 0 | 151 |
| **Financial income** | 136 | 1'448 |
| Interest expenses | -218 | -1'175 |
| Foreign currency exchange losses | -510 | -1'091 |
| Losses on marketable securities | 0 | -1'881 |
| **Financial expenses** | -728 | -4'147 |
| **Total Financial result** | -592 | -2'699 |

Financial income decreased by 90.6% (USD 1.3 million) in the reporting period and amounts to USD 0.1 million for 2023 (2022 USD 1.4 million). The financial income in the reporting period results primarily from gain on sales of Cadiz Inc. shares, gains on foreign currency transactions and financial liabilities as well as some interest income on a loan to shareholder and fixed deposits. All of Cadiz's shares were sold by 30 June 2023.

Financial expenses decreased by 82.4% (USD 3.4 million) in the reporting period and amount to USD 0.7 million for 2023 (2022 USD 4.1 million). Financial expenses result primarily from the pro rata reversal of brokerage commission for the compulsory convertible notes (interest expenses) and losses on foreign currency transactions as well as financial assets.

# Income Tax

In the current and previous periods, the Group did not generate taxable profits. No deferred tax asset has been recognized in relation to tax losses carry forward due to the uncertainty of realization.

# Cash flow Statement

For the years ended June 30:

| *In USD thousand* | 2023 | 2022 |
|---|---|---|
| Net cash flow from operating activities | -4'248 | -4'375 |
| Net cash flow from investing activities | -88 | -5'627 |
| Net cash flow from financing activities | -2'600 | 21'273 |
| Net foreign exchange differences | 317 | -1'105 |
| Net change in cash and cash equivalents | -6'619 | 10'166 |
| Cash and cash equivalents at beginning of year | 10'611 | 445 |
| Cash and cash equivalents at end of year | 3'992 | 10'611 |

Cash outflow from operating activities decreased slightly by 2.9% (USD 0.2 million) to USD 4.2 million in 2023 (2022 USD 4.4 million). The cash outflow from operating activities is, apart from the loss for the year mainly due to the reduction of trade and other payables compared to the consolidated financial statements as of 30 June 2022 as well as interest paid in connection with the redemption of the non-exercised convertible bond.

Cash outflow from investing activities decreased significantly by 98.4% (USD 5.5 million) to USD -0.1 million in 2023 (2022 USD -5.6 million). During the reporting period, expenditures on exploration and evaluation assets were heavely balanced by the proceeds from the sale of the Cadiz shares. In the previous period, significantly more Cadiz shares were sold, and significant amounts were paid for the failed Latitude 66 acquisition.

In the course of the repayment of the non-converted convertible bond on 5 July 2022, there was a cash outflow from financing activities in the reporting period in the amount of USD 2.6 million. In the prior period, there were cash inflow due to the proceeds from the ordinary capital increase and the compulsory convertible notes issued in December 2021, which in turn were converted into equity in December 2022.

# Financial position and capital structure

## ASSETS

| *In USD thousand* | 30 June 2023 | 30 June 2022 |
|---|---|---|
| **ASSETS** | | |
| Non-current assets | | |
| Intangible assets | 25'435 | 26'357 |
| Exploration and evaluation assets | 3'863 | 3'781 |
| **Total non-current assets** | **29'298** | **30'138** |
| Current assets | | |
| Financial assets | 333 | 413 |
| Other short-term receivables | 169 | 118 |
| Cash and cash equivalents | 3'992 | 10'611 |
| **Total current assets** | **4'494** | **11'142** |
| **Total assets** | **33'792** | **41'280** |

Total assets decreased by 18.1% (USD 7.5 million) to USD 33.8 million as at end of June 2023 (June 2022: USD 41.3 million).

Intangible assets remain unchanged from the previous period (i.e. Royalty on Cape Lambert and Domains). However, due to the changed currency situation, the book value decreased by USD 1.0 million to USD 25.4 million (June 2022: USD 26.4). Exploration and evaluation assets (i.e. Moolyella and Kingston Keith) amount to USD 3.9 million (June 2022: USD 3.8 million). The capitalized costs at assets Moolyella and Kingston Keith in the amount of USD 0.2 million were reduced by almost 50% due to the translation of the foreign currency.

The remaining Cadiz shares, which were originally reported under financial assets, were sold in full and converted into cash as of December 2022, leaving a loan to a shareholder in this line item.

## LIABILITIES

| *In USD thousand* | 30 June 2023 | 30 June 2022 |
|---|---|---|
| Non-current liabilities | | |
| Defined benefit obligation | 0 | 33 |
| Provision Stock-Option-Plan | 8 | 0 |
| **Total non-current liabilities** | 8 | 33 |
| Current liabilities | | |
| Financial liabilities | 0 | 6'723 |
| Trade payables | 89 | 915 |
| Other payables | 519 | 755 |
| Other non-financial liabilities | 13 | 3 |
| **Total current liabilities** | 621 | 8'396 |
| **Total liabilities** | 629 | 8'429 |

Total liabilities decreased by 92.5% (USD 7.8 million) to USD 0.6 million at the end of June 2023 (June 2022: USD 8.4 million).

**Current liabilities**

The non-converted convertible bond in the amount of USD 2.8 million was fully repaid in July 2022 and the compulsory convertible notes in the amount of USD 3.9 million were converted into equity in December 2022. The Company has been in a dispute with the holders of the former 52'534 compulsory convertible notes ISIN CH1142529093, which were issued in December 2021 and were automatically converted into SunMirror shares on 20 December 2022 at a price of EUR 75 per share. The noteholders dispute the conversion of their notes. The Company considers that the notes were rightfully converted to shares and fundamentally disagrees with the noteholders allegations. On this basis and given the current facts, the Management is of the opinion that the claims are unfounded and does not recognise any liabilities or provisions in connection with this dispute. At a conciliation hearing in March 2023, no settlement was reached. Following such conciliation hearing, the noteholders failed to file a claim in Swiss courts within the applicable deadline. In order to file a claim, the noteholders would have to start the process again and request a new conciliation meeting.

As part of the efforts to reduce general and administrative expenses, trade and other other payables were also substantially reduced at end of June 2023 compared to end of June 2022. Other non-financial liabilities contain capital tax accruals (June 2023 and June 2022).

**Non-current liabilities**

In May 2023, the Board of Directors of SunMirror AG introduced a stock option plan. Certain members of the management and selected key employees are eligible to participate in the plan (participants).

Generally, awards are made over a three-year service period. The vested options may subsequently be exercised over a period of 10 years. One option entitles the holder to subscribe one share of SunMirror AG or a corresponding compensation in cash. The related expense is recognized over the service period in personnel expenses and the cumulative liabilities are recognized as non-current provision.

# EQUITY

| *In USD thousand* | 30 June 2023 | 30 June 2022 |
|---|---|---|
| **EQUITY AND LIABILITIES** | | |
| Equity | | |
| Share capital | 2'585 | 2'529 |
| Capital reserves | 58'092 | 54'018 |
| Accumulated losses | -26'521 | -23'286 |
| Other reserves | -993 | -410 |
| **Total shareholders' equity** | 33'163 | 32'851 |

Shareholders' equity increased by 1.0% (USD 0.3 million) to USD 33.2 million at the end of June 2023 (June 2022: USD 32.9 million). At the end of June 2023, the Group had an equity to asset ratio of 98.1% (June 2022: 79.6%).

In December 2022 the Group carried out a capital increase amounting to USD 4.1 million and 52'534 shares were issued at a price of EUR 75 per share. This capital increase resulted from the conversion of issued compulsory convertible notes.

The comprehensive loss for 2023 amounted to USD 0.6 million and reflects the stronger US Dollar against the comparative currencies AUD and EUR (2022 comprehensive loss of USD 2.2 million). As a result of staff leaving the company, there are currently no employees in a defined benefit pension plan, which is why this plan has been discontinued. This termination of the defined benefit obligation resulted in a gain in the statement of comprehensive income.

# COMPANY STRUCTURE

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# COMPANY STRUCTURE

## Registered Office, Financial Year, duration of the Company, Corporate Purpose

SunMirror AG is a stock corporation (Aktiengesellschaft) incorporated and operating under Swiss law. Its registered office is in Zug, Switzerland and it is registered with the commercial register office of the canton of Zug under CHE 395.708.464. The Company's address is General-Guisan-Strasse 6, 6300 Zug, Switzerland (before: Steinhauserstrasse 74, Zug, Switzerland), telephone number +41 43 505 14 00. The Company's website is www.sunmirror.com.

The Company's legal name is "SunMirror AG". The Company and its subsidiaries operate on the market under the commercial name "SunMirror". The Company is established for an unlimited period of time. The Company's legal entity identifier (LEI) is 894500R3EZWT4CYDM933. The financial year of the Company runs from 1 July of a calendar year until 30 June of the next calendar year.

According to Article 2 of the Company's Articles of Association, the statutory purpose of the Company is to promote the long-term value of the subsidiaries, affiliated companies or participation through uniform administration and centralized services and to provide the associated financing. In addition, the Company may buy, sell, broker, manage and exploit real estate, securities, participations and intellectual property rights, establish subsidiaries and branches in Switzerland and abroad and carry out all commercial activities related to the purpose of the Company.

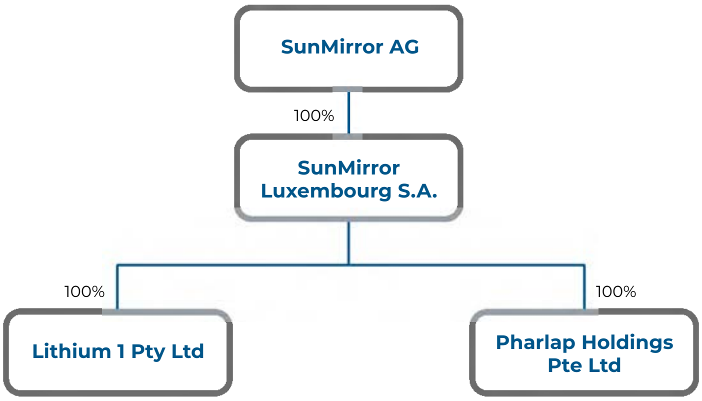
# The Creation and Historical Development of the Company

The Company was first incorporated under the name Dynastar AG on 24 September 2014 with its registered office in Erlenbach ZH, Switzerland, and was registered with the commercial register office of the Canton of Zurich under CHE-395.708.464.

In 2018, the Company's shares were admitted to listing on the regulated unofficial market segment (Freiverkehr) of Düsseldorf Stock Exchange (Börse Düsseldorf).

On 31 August 2020 the Company's general meeting resolved to acquire all shares of Couno Resources S.A. (today, SunMirror Luxembourg S.A. – "SunMirror Luxembourg") by means of a contribution in kind, to change the Company's name to SunMirror AG and to move its registered office from the Canton of Zurich to the Canton of Zug. The acquisition of SunMirror Luxembourg was completed on 7 September 2020.

Thereby, also the subsidiaries of SunMirror Luxembourg, Lithium 1, and Pharlap, became part of the Group, resulting in the following structure:




SunMirror Luxembourg acquired all shares of Lithium 1 by means of a share purchase agreement dated 14 February 2020. Lithium 1 is an Australian company which holds exploration licenses for the tenements Moolyella (Lithium) and Kingston-Keith (Gold and Nickel), both located in Western Australia.

SunMirror Luxembourg acquired all shares of Pharlap by means of a share purchase agreement dated 12 August 2020, amended on 18 December 2020. Pharlap is a Singapore company whose main asset is composed of a royalty agreement relating to future royalties payable in relation to the Cape Lambert magnetite project.

On 30 November 2020, the Shares were included for trading on the Vienna MTF (market segment direct market) of Vienna Stock Exchange (Wiener Börse).

On 26 November 2021, the Listed Shares were admitted to trading on the Official Market (Amtlicher Handel) of the Vienna Stock Exchange (Wiener Börse), a regulated market pursuant to Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as amended (Markets in Financial Instruments Directive II – "MiFID II").

# Significant Subsidiaries

The significant subsidiaries of the Company are (i) SunMirror Luxembourg S.A., incorporated in Luxembourg, (ii) Lithium 1 Pty Ltd, incorporated in Australia, and (iii) Pharlap Holdings Pte Ltd, incorporated in Singapore. The Company holds, directly or indirectly, 100% of all shares and all votes in each such company.

# RISK REPORT

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# RISK REPORT

## Business related risk factors

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.

No asset of the Group is expected to generate revenues in the short term.

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.

In addition, the Group owns via its Pharlap Holdings subsidiary a royalty (the "Royalty Asset") on the Cape Lambert Iron Ore Project owned by MCC. The Royalty Asset is linked to a retention license and associated revenues rely on the commencement date of the mining operations, which is currently not yet set. Such date is dependent on many factors that are not in control of the Group, including but not limited to commodity prices, MCC business strategy and credit quality, regulation in Western Australia, global macroeconomic dynamics, etc.

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.

## Commodity 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 iron ore, 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 exploration and evaluation activities as well as potential acquisitions. 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, lower market prices for certain minerals could result in SunMirror Group's outlook being less attractive to potential capital providers. A lack of access to capital could restrict SunMirror's ability to finance development of its business. It could also impact the prospects of SunMirror's royalty asset held at Pharlap.

## Regulatory Risk factors

The parent company SunMirror AG issues bearer shares instead of registered shares, which is still feasible for publicly listed companies in Switzerland. However, with the global tendency towards issuing registered shares bearer shares may restrict the Group's access to capital in the future.

MCC successfully got the extension of its retention license to March 2025 approved by Western Australia's department of mines but further extensions could be refused in due course, which could have an impact on the prospect of SunMirror's royalty held at its Pharlap subsidiary to produce any revenues in the future.

New environmental regulations might create additional requirements on mining developments and fossil fuel usage that may have an impact on the future Company's results of operations and financial conditions and particularly its exploration costs. Regulations on fossil fuel usage would also likely create opportunities given the Company's focus on battery metals resources.

In Western Australia, registered Native Title claimants and determined Native Title holders have certain rights under the provisions of the Native Title Act 1993 (Cth) (NTA) future act regime, when governments intend to conduct business such as the granting of mineral tenure that are future acts under the NTA.

The State Government has a policy whereby applicants for exploration licences and prospecting licences will have to sign and offer a Regional Standard Heritage Agreement (RSHA) or prove they have an existing Alternative Heritage Agreement in place. This must happen before the applications will be submitted to the NTA Expedited Procedure (Kimberley Region excluded).

The RSHAs provide Aboriginal heritage protection and offer all parties with standard fees and procedures for heritage clearances that are at an acceptable standard to industry.

Parts of the Moolyella and Kingston Keith exploration licences are covered by heritage claims and the company is in close dialogue with the aboriginal groups concerned. An RSHA has been concluded with the local Native Title Group covering the Moolyella licence area, and a Land Access and Mineral Exploration Agreement is currently being negotiated with the relevant Native Title Group in the Kingston Keith licence area (Tjiwarl Aboriginal Corporation).

New laws designed to avoid a repeat of the destruction of an ancient Indigenous site by resources giant Rio Tinto were introduced by the Government of Western Australia when it released the Aboriginal Cultural Heritage Act 2021 (WA), which came into force on the 1st July this year.

The new Act, which was to replace the Aboriginal Heritage Act 1972 (WA) proved hugely controversial and on the 8th August this year, just weeks after being introduced, the WA Premier announced the repeal of the new Aboriginal Cultural Heritage Act 2021 (WA) and a return to the original Aboriginal Heritage Act 1972 (WA). As such it is business as normal for the Groups projects in Australia.

## Impact of Covid-19

With the Covid-19 pandemic now fully under control, there is no impact on the Group's activity. The progressive lifting of restrictions in China, the last major country with severe regulations linked to the Covid-19 pandemic, is expected to result in an even more acute need for battery metals.

## Legal risks

The SunMirror Group is exposed to legal risks through its business and financing activities. The Sunmirror Group enters into contracts with suppliers, contractors, and other counterparties that may give rise to disputes and claims. The Group may also have claims against counterparties that it may decide to pursue and that may give rise to significant legal costs before a successful outcome, if any, were to occur. The Group has in-house expertise to handle such risks with the assistance of a number of outside legal advisors in the various jurisdictions where it operates or has business relationships. The Group also carefully monitors its own compliance with legal agreements to minimise the risk of legal disputes in the future.

The Company has been in a dispute with the holders of the former 52'534 mandatory convertible notes ISIN CH1142529093, which were issued in December 2021 and were automatically converted into SunMirror shares on 20 December 2022 at a price of EUR 75 per share. The noteholders have disputed the conversion of their notes. The Company considers that the notes were rightfully converted to shares and fundamentally disagrees with the noteholder's allegations. On this basis and given the current facts, the Company is of the opinion that the claims are unfounded and does not recognize any provision or contingent liabilities in connection with this dispute. At a conciliation hearing in March 2023, no settlement was reached. Following such conciliation hearing the noteholders failed to file a claim in Swiss courts within the applicable deadline. In order to file a claim, the noteholders would have to start the process again and request a new conciliation meeting.

*Source: https://www.dmp.wa.gov.au/Minerals/Native-Title-Act-Process-5548.aspx*

# Impact of inflation, the increase in interest rates, and potential risk of global recession

The significant increase in inflation globally could put pressure on the Group's costs. Fortunately, the Group has limited exposure to inflation as most of its costs are contracted under medium to long term contracts. The Group has limited exposure to materials and energy costs in its exploration activities but wage inflation and the scarcity of human resources in the space could lead to cost increases.

Further, central banks globally are fighting inflation with steep increases in interest rates. This could result in scarcer and/or more expensive access to capital which could in turn result in acquisitions and capex activities being more challenging to complete.

Finally, the increase in interest rate is likely going to dampen global economic growth in the medium term. This could result in reduced demand for the commodities that the Group looks to produce. However, production will occur in a longer timeframe.

Separately, recession could impact MCC's plans to develop the Cape Lambert Iron Ore Project, which would postpone the date by which the Royalty Asset could produce revenues.

# ACCOUNTING, CONTROL AND RISK MANAGEMENT PROCESS

Corporate Accounting comprises those activities that are necessary to prepare financial statements and consolidated financial statements in compliance with the law and IFRS.

## STRUCTURE OF ACCOUNTING

The accounting function in the SunMirror Group comprises the accounting departments at local companies and the Corporate Accounting department in Zurich. The local companies draw up financial statements in accordance with local law based on local accounting software. The financial statements are submitted quarterly to Corporate Accounting in Zurich for final clarification and review. The reconciliation of local financial statements to uniform IFRS accounting and valuation principles are performed by the Corporate Accounting departement in corporation with the consolidation service provider.

## CONSOLIDATION

The IFRS financial statements are drawn up in accordance with IFRS accounting and valuation principals as issued by the International Accounting Standards Board (IASB). Local financial reporting data are checked manually by Corporate Accounting (mainly plausibility checks, intercompany reconciliation and reconciliation of financial statements according to local GAAP into IFRS-compliant accounting and valuation). During this process, Corporate Accounting works closely with the consolidation service provider. Consolidation work is done twice a year (annual group financial statements at June 30 and interim condensed group financial statements at December 31).

The overall consolidation process includes checking the consistency of the data transmitted and plausibilisation of the financial statements as a whole. The consolidation is prepared by using a certified professional consolidation software.

To ensure correct and timely completion of the annual report by the publication date, deadlines are set for both the half-year (interim) and the annual financial statements. The entire accounting function is notified of these in good time. In addition to the annual report at the end of each financial year, a halfyear interim report is published in accordance with IAS 34.

## CONTROLS

The accounting function reports to the Chief Financial Officer (CFO). Regular reports to the Board of Directors contain information on the asset capex programmes, expense outlook, potential legal challenges, and opportunities and risks. This ensures ongoing oversight of the internal control system. Existing and potential risks are constantly monitored. This is based on uniform risk guidelines. The management is responsible for implementing these guidelines and ensuring they are observed.

In the SunMirror Group, the annual audit schedule is determined by the Board of Directors on the basis of a proposal by the Corporate Accounting department. Focal areas are examining the effectiveness of the internal control system, compliance with the applicable Reporting Standards and other compliance requirements. The results of audits are presented on a case-by-case basis as they arise to the Board of Directors.

# DISCLOSURES IN ACCORDANCE WITH 243A (1) UGB

## SHARE CAPITAL

The share capital of SunMirror AG was CHF 2'395'755.00 as at 30 June 2023 and was divided into 2'395'755 bearer shares with a par value of CHF 1.00 per share each, which are fully-paid in. All shares are equal in terms of their dividend and voting rights.

In the financial year 2023, SunMirror AG carried out a capital increase. In a private placement with institutional investors, SunMirror AG placed Compulsory Convertible Notes on 20 December 2021. The issued notes were automatically converted into 52'534 bearer shares of SunMirror AG one year later (20 December 2022). With the declaratory resolution of the Board of Directors, this capital increase was publicly notarized on 23 December 2022. These shares shall be admitted for trading on the Vienna Stock Exchange in due course.

## AUTHORISED CAPITAL

The Board of Directors was authorized, at any time until 29th of December 2022 to increase the share capital by a maximum amount CHF 751'879.00 by issuing a maximum of 751'879 bearer shares with a nominal value of CHF 1.00 each, to be fully paid up. This amount of authorized capital expired on 29th of December 2022.

The Board of Directors is authorised to exclude the subscription right of existing shareholders for important reasons and to allocate it to third parties. Important reasons are in particular the participation of employees, mergers, the financing of the company, financing and refinancing of takeovers, contributions in kind as well as placement of the shares on national or international stock exchanges. The Board of Directors may also exclude the subscription right if the new shares to be created are issued in connection with i) a public placement or ii) a private placement to broaden the base of qualified shareholders within the meaning of the Federal Act on Collective Investment Schemes. Shares for which subscription rights are granted but not exercised must be used by the Board of Directors in the interest of the Company. The Board is authorised to determine the issue price of the shares, the type of contribution, the allocation to new shareholders and the date of dividend entitlement.

## CONDITIONAL CAPITAL AND CONVERTIBLE NOTES

As of 1 July 2022, the conditional capital of the company stood at CHF 904'900.00.

According to Article 3b of the Articles of Association at the opening of FY 2023 : "The share capital shall be increased, excluding shareholders" subscription rights, by a maximum of 904'900 bearer shares by issuing a maximum of 904'900 bearer shares with a nominal value of CHF 1.00 each, to be fully paid up, through the exercise of conversion and option rights granted to creditors of new bonds or similar debt instruments issued by the Company under one or more participation plans to be established by the Board of Directors. The Board of Directors shall determine the details of the terms of issuance."

Of the 904'900 bearer shares of the conditional capital, 52'534 shares were allocated to the Compulsory Convertible Notes with ISIN CH1142529093, which were automatically converted in shares on 20th December 2022. The conversion of these 52'534 notes resulted in a reduction of the conditional capital by the same amount to CHF 852'366.00 effective on 23 December 2022 as per the updated Articles of Association. These shares shall be admitted for trading at the Vienna Stock Exchange in due course.

# OTHER INFORMATION

1. As of 30th June 2023, SunMirror AG has a direct stake of 100.0% in SunMirror Luxembourg S.A. and is thus the indirect sole shareholder of Lithium 1 Pty Ltd (Lithium 1). As announced in the Company's ad hoc news dated 1st August 2022, the Company temporarily lost control over Lithium 1. The control was regained on 2nd August 2022, and re-established the 100% ownership of Lithium 1 Pty Ltd by SunMirror Luxembourg S.A.

2. According to Article 16 of the Articles of Association: "The Board of Directors is composed of one or several members, who are elected by the General Meeting of Shareholders for a term of one year and who may be re-elected. The term of office ends on the day when the ordinary Meeting of Sahreholders is held. In case of by-elections, the new memebrs of the Board of Directors shall complete their predecessors' term of office."

3. There are no financing agreements nor customer contracts containing any customary agreements on a change of control in the event of a takeover within the meaning of Section 243a (1) No. 8 UGB.

4. There are no compensation agreements within the meaning of Section 243a (1) No. 9 UGB.

5. In May 2023, the Board of Directors of SunMirror AG introduced a stock option plan. Certain members of the management and selected key employees are eligible to participate in the plan (participants). This stock option plan establishes a framework to provide participants with long-term incentives and to better align their interests with the interests of shareholders and the prosperity of the Company. The stock option plan is classified as cash settled. However, the Company has the right to settle either in cash or equity at its sole discretion. The stock option plan may be amended from time to time and is a discretionary incentive plan for employee retention and motivation.

   Awards are made on the recommendation of the Remuneration Committee based on participant performance and employment conditions and are approved by the Board of Directors. The individual terms and conditions applicable to each participant in connection with each stock option award, in addition to the general provisions of this plan, are subject to a separate award agreement.

   Generally, awards are made over a three-year service period. The vested options may subsequently be exercised over a period of 10 years. One option entitles the holder to subscribe one share of SunMirror AG or a corresponding compensation in cash. The exercise prices of the options are calculated by reference to share price historical averages. Upon termination of employment, unvested options may or may not be cancelled depending on the circumstances. The related expense is recognized as personnel expense over the service period and the cumulative liabilities are recognized as non-current provision.

   Until 30 June 2023, a total of 17'968 stock options with an average exercise price of EUR 7.00 per share have been granted, of which 8'984 have legally vested as of the reporting date and 10'806 were recognised as compensation expense in the current financial year.

# OUTLOOK AND IMPORTANT EVENTS

# CONTENT

# Important events since the end of the last business year

The Austrian Financial Reporting Enforcement Panel (AFREP) has audited our financial reporting and the annual financial statements for 2021 and 2022. The audit started in December 2022 and the results were communicated in October 2023. In this letter dated 9 October 2023, AFREP concluded that our accounting was incorrect. AFREP confirms the classification of the Royalty on Cape Lambert as an intangible asset, but concludes in the subsequent measurement that the impairment test should have been performed annually according to the provisions of IAS 36.10 lit. a. In summary, AFREP is of the opinion that the Royalty on Cape Lambert cannot be regarded as an asset in accordance with IFRS 6.

Following thorough consultation with our advisors, the Board of Directors of SunMirror does not share AFREP's assessment and has therefore disagreed with the audit findings. A valuation of the Royalty on Cape Lambert prepared in the meantime by an external expert concludes that, based on the assumptions made, the current value of the Royalty supports the carrying amount. Thus, regardless of the impairment assessment, there is no deviation in the subsequent measurement under either IAS 36 (AFREP perspective) or IFRS 6 (SunMirror perspective). The proceedings have now been forwarded by AFREP to the Austrian Financial Market Authority (FMA), which will form an independent opinion on this matter. The proceedings had not been concluded at the time the management report were prepared.

Irrespective of the FMA's decision, the Board of Directors does not expect any impact on the figures published in this management report.

# Outlook for the coming business year

After this year of transition, taking advantage of the new foundations for the Group, SunMirror continues to be focused on reducing overheads and expenses wherever possible and investing available funds primarily in the development of value-added resource projects. Thus, SunMirror is planning to further progress the Moolyella lithium project, where a soil sampling program was completed a few weeks ago. The Moolyella license is very promising for the occurrence of lithium-bearing pegmatites and results from soil sampling have clearly identified distinct patterns in lithium grades within the license, which appear to outline potential underground mineralized structures, some of which are very likely to be the continuations of structures discovered by our peers in neighboring tenements. These results lay the foundations for a reverse-circulation drill program of up to 5,000 metres, which we anticipate starting sometime in Q2 2024 after heritage consultation with the local Nyamal population and regulatory approvals are completed. At our Kingston Keith license, progress made is also promising with AI modeling work, which the Company has purchased and has identified the tenement to be prospective for lithium. In combination with the most recent interpretation of the aeromagnetic survey, the Company has laid the ground for further exploration work to investigate both gold/nickel and lithium potential. But the first step is to complete a land access agreement with the local Tjiwarl Aboriginal Corporation, which is the pre-requesite for any on ground work, including soil sampling.

As previously mentioned, in addition to these strategic projects, additional assets can be acquired and be brought into the company to increase the portfolio diversification and the value of the company. Battery metal mining assets in Europe and Australia are currently being reviewed and considered for acquisition while some divestitures of non-core assets continue to be considered.

We continue to believe that the portfolio of assets currently held at SunMirror is ideally positioned to benefit from a significant global flow of capital and supportive regulation underpinning the global efforts of decarbonisation and the push towards electrification.

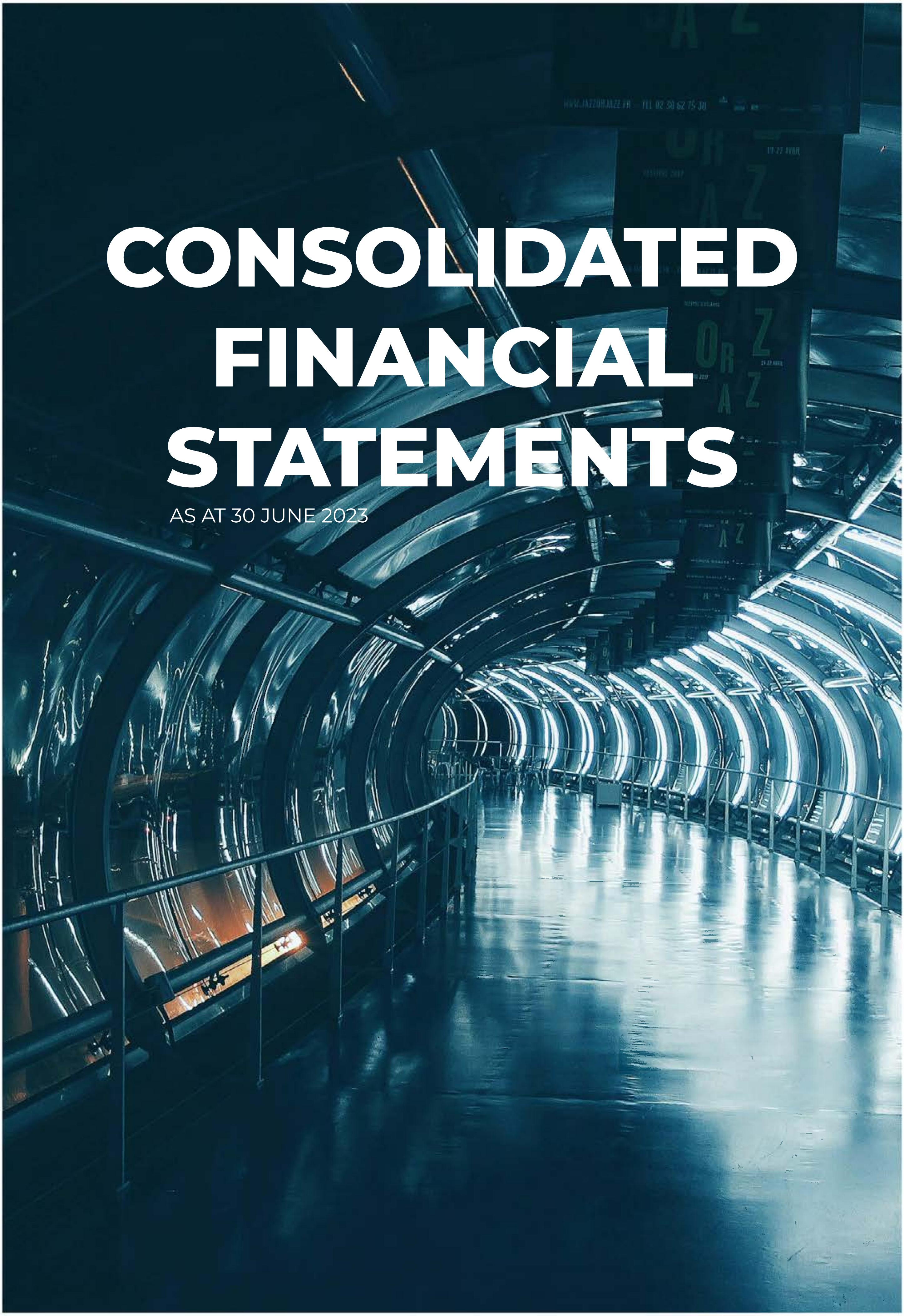
Zug, 20 November 2023

Laurent Quelin e.h.
Chairman

Daniel Monks e.h.
Board member

# CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 JUNE 2023



# CONTENT

# CONSOLIDATED FINANCIAL STATEMENTS IFRS

## Consolidated statement of profit and loss

For the years ended 30 June

| *In USD thousand (except per share amounts in USD)* | Notes | 2023 | 2022 |
|---|---|---|---|
| Other income | 4.2 | 345 | 0 |
| Personnel expenses | 4.4 | -949 | -941 |
| General and administrative expenses | 4.5 | -2,039 | -3,817 |
| **Earnings before interest, taxes, depreciation, and amortization (EBITDA)** | | -2,643 | -4,758 |
| Depreciation and impairment losses | 4.6 | 0 | -10,833 |
| **Earnings before interest and taxes (EBIT)** | | -2,643 | -15,591 |
| Financial income | | 136 | 1,448 |
| Financial expenses | | -728 | -4,147 |
| **Financial result** | 4.7 | -592 | -2,699 |
| **Loss before income taxes** | | -3,235 | -18,290 |
| Income taxes | 4.8 | 0 | 0 |
| **Loss for the year** | | -3,235 | -18,290 |
| Basic and diluted loss per share | 4.9 | -1.36 | -8.73 |

The loss for the year is fully attributable to the shareholders of SunMirror AG. There are no noncontrolling interests.

The accompanying notes are an integral part of these consolidated financial statements.

Please note that in the consolidated financial statements section of this report the thousand separation is noted as a comma.

# Consolidated statement of comprehensive income

For the years ended 30 June

| *In USD thousand* | Notes | 2023 | 2022 |
|---|---|---|---|
| **Loss for the year** | | -3,235 | -18,290 |
| **Other comprehensive income** | | | |
| *Items that may be reclassified into profit or loss:* | | | |
| Exchange differences on translation of foreign operations | | -627 | -2,143 |
| *Items that will not be reclassified subsequently to profit or loss:* | | | |
| Gains and losses from the remeasurement of the net defined benefit liability | 4.20 | 44 | -22 |
| **Total comprehensive loss for the year** | | -3,818 | -20,455 |

The comprehensive loss for the year is fully attributable to the shareholders of SunMirror AG.

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated statement of financial position

| *In USD thousand* | Notes | 30 June 2023 | 30 June 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| Non-current assets | | | |
| Intangible assets | 4.11 | 25,435 | 26,357 |
| Exploration and evaluation assets | 4.12 | 3,863 | 3,781 |
| **Total non-current assets** | | **29,298** | **30,138** |
| Current assets | | | |
| Financial assets | 4.13 | 333 | 413 |
| Other short-term receivables | 4.14 | 169 | 118 |
| Cash and cash equivalents | 4.15 | 3,992 | 10,611 |
| **Total current assets** | | **4,494** | **11,142** |
| **Total assets** | | **33,792** | **41,280** |
| **EQUITY AND LIABILITIES** | | | |
| Equity | | | |
| Share capital | | 2,585 | 2,529 |
| Capital reserves | | 58,092 | 54,018 |
| Accumulated losses | | -26,521 | -23,286 |
| Other reserves | | -993 | -410 |
| **Total shareholders' equity** | **4.16** | **33,163** | **32,851** |
| Non-current liabilities | | | |
| Defined benefit obligation | 4.20 | 0 | 33 |
| Provision stock-option-plan | 4.20 | 8 | 0 |
| **Total non-current liabilities** | | **8** | **33** |
| Current liabilities | | | |
| Financial liabilities | 4.17 | 0 | 6,723 |
| Trade payables | 4.18 | 89 | 915 |
| Other payables | 4.18 | 519 | 755 |
| Other non-financial liabilities | 4.19 | 13 | 3 |
| **Total current liabilities** | | **621** | **8,396** |
| **Total liabilities** | | **629** | **8,429** |
| **Total equity and liabilities** | | **33,792** | **41,280** |

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity

| | | Equity attributable to shareholders of SunMirror AG | | | | |
|---|---|---|---|---|---|---|
| *In USD thousand* | Notes | Share capital | Capital reserves | Accumulated losses | Other reserves | Total shareholders' equity |
| Balance as at 01 July 2021 | | 2,162 | 30,888 | -4,996 | 1,755 | 29,809 |
| Loss for the year | | | | -18,290 | | -18,290 |
| Other comprehensive income | | | | | -2'165 | -2,165 |
| **Total comprehensive loss for the year** | | | | **-18'290** | **-2'165** | **-20,455** |
| Capital increase | | 270 | 19,219 | | | 19,489 |
| Transaction costs in relation to capital increase | | | -1,898 | | | -1,898 |
| Conversion of convertible bond | 4.17 | 97 | 6,224 | | | 6,321 |
| Equity component of issued convertible bonds | 4.17 | | -415 | | | -415 |
| **Balance as at 30 June 2022** | | **2,529** | **54,018** | **-23,286** | **-410** | **32,851** |

| | | Equity attributable to shareholders of SunMirror AG | | | | |
|---|---|---|---|---|---|---|
| *In USD thousand* | Notes | Share capital | Capital reserves | Accumulated losses | Other reserves | Total shareholders' equity |
| Balance as at 01 July 2022 | | 2,529 | 54,018 | -23,286 | -410 | 32,851 |
| Loss for the year | | | | -3,235 | | -3,235 |
| Other comprehensive income | | | | | -583 | -583 |
| **Total comprehensive loss for the year** | | **0** | **0** | **-3,235** | **-583** | **-3,818** |
| Conversion of compulsory convertible notes | 3.2 | 56 | 4,074 | | | 4,130 |
| **Balance as at 30 June 2023** | | **2,585** | **58,092** | **-26,521** | **-993** | **33,163** |

Shareholders' equity is fully attributable to the shareholders of SunMirror AG. There are no minority interests. Other reserves refer exclusively to cumulative currency translation differences from the translation of foreign operations and gains/ losses from the remeasurement of the net defined benefit liability.

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated statement of cash flows

For the years ended 30 June

| *In USD thousand* | Notes | 2023 | 2022 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| **Loss for the year** | | -3,235 | -18,290 |
| Adjustments to reconcile loss before income taxes to net cash flows: | | | |
| Depreciation and impairment losses | 4.6 | 0 | 10,833 |
| Other non-cash income/ expense | | -370 | 377 |
| Financial result | 4.7 | 592 | 2,699 |
| Working capital changes: | | | |
| Increase/ decrease in other receivables | | -39 | 10 |
| Decrease/ increase in trade and other payables | | -905 | 42 |
| Interest paid | 4.17 | -299 | -46 |
| Interest received | | 8 | 0 |
| **Net cash flow from operating activities** | | **-4,248** | **-4,375** |
| Cash flows from investing activities | | | |
| Payments for exploration and evaluation | 4.12 | -199 | -261 |
| Payments in relation to potential acquisition of Latitude 66 Cobalt Ltd. | | 0 | -7,794 |
| Proceeds from financial assets at fair value through profit or loss | 4.13 | 111 | 2,428 |
| **Net cash flow from investing activities** | | **-88** | **-5,627** |
| Cash flows from financing activities | | | |
| Proceeds from issuance of shares | | 0 | 19,489 |
| Payments for transaction costs from equity transactions | | 0 | -1,833 |
| Proceeds from compulsory convertible notes and convertible bonds | | 0 | 4,157 |
| Payments for convertible bonds | 4.17 | -2,599 | 0 |
| Proceeds from shareholder loans | | 0 | 13 |
| Repayment of shareholder loans | | -1 | -77 |
| Payments for brokerage commission | | 0 | -476 |
| **Net cash flow from financing activities** | | **-2,600** | **21,273** |
| Net foreign exchange differences | | 317 | -1,105 |
| **Net change in cash and cash equivalents** | | **-6,619** | **10,166** |
| Cash and cash equivalents at beginning of year | | 10,611 | 445 |
| Cash and cash equivalents at end of year | 4.15 | 3,992 | 10,611 |

The accompanying notes are an integral part of these consolidated financial statements.

# Notes to the consolidated financial statements

## 1. CORPORATE AND GROUP INFORMATION

### 1.1 General information

The consolidated financial statements of SunMirror AG and its subsidiaries (collectively, SunMirror Group or the Group) for the year ended 30 June 2023 were authorized for issue in accordance with a resolution of the directors on 20 November 2023.

SunMirror AG (the Company or the parent) is incorporated and domiciled in Switzerland. The shares are listed under ISIN CH0396131929 on the Regulated Market (Amtlicher Handel) of the Vienna Stock Exchange, Austria. In addition, the shares are listed on the Open Market (Freiverkehr) in Frankfurt, Düsseldorf, and Berlin under ticker ROR. Since 22 December 2022, the new address of its registered office and principal place of business is General-Guisan-Strasse 6, Zug, Switzerland (before: Steinhauserstrasse 74, Zug, Switzerland).

SunMirror Group prepares and publishes its financial statements in US Dollar (USD), which is the SunMirror Group's presentation currency. Unless otherwise stated, the numbers are rounded to whole USD thousand.

### 1.2 The Group's operating activities

In 2020 the Group started its operating activities in the raw material sector and is in the early stage of exploration and development activities. The current business activities of SunMirror Group consist of (besides holding rights for potential royalties) managing exploration assets (i.e., the search for and development of economically viable reserves of mineral resources). In case of successful exploration, the SunMirror Group also plans to be active in the field of the development, mining, and extraction of mineral resources.

The Group invests into pre-production mineral exploration assets with a focus on battery metals, iron ore and gold deposits in developed markets which meet certain minimum requirements in their legislation with regards to labour law and environmental protection (for example Australia, Europe, and North America), for the purpose of evaluation and exploration with the aim to either produce minerals at a later stage or sell those assets. The Group currently holds two exploration licenses and a mining royalty:

- **Moolyella:** Lithium 1 Pty Ltd ("Lithium 1"), a fully owned subsidiary of the Company, holding an exploration license in Moolyella, located in Northwestern Australia. Management believes that the site has potential for lithium-bearing pegmatites.

- **Kingston-Keith:** Lithium 1 holds an exploration license in the Kingston-Keith/Mt. Keith area, situated in a prolific gold and nickel production district in central Western Australia, which Management believes has potential for lithium, gold and nickel.

- **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 retention license on their Cape Lambert magnetite project in the Cape Lambert region in Western Australia.

All assets of Lithium 1 are in an exploration phase and do not produce any revenue for the time being. The Group plans to continue exploration for the next few years based on its two exploration licenses. The Group expects that production at the Cape Lambert mine will not start in the short term and thus the Group will only start to receive royalties at a later stage, subject to the decision to begin development of an operating mine by MCC Australia Sanjin Mining Pty Ltd. The commencement of the mining operations is currently not yet set.

# 2. SIGNIFICANT ACCOUNTING POLICIES

## 2.1 Basis of preparation

The consolidated financial statements of the SunMirror Group have been prepared on a going concern basis in accordance with the International Financial Reporting Standards (IFRS®) accounting standards as issued by the International Accounting Standards Board (IASB).

## 2.2 Basis of consolidation

The following entities form the consolidation scope of these consolidated financial statements as of 30 June 2023:

| Name | Country of incorporation | Currency | Equity portion | Share capital |
|---|---|---|---|---|
| SunMirror AG | Switzerland | CHF | Holding | 2,395,755 |
| SunMirror Luxembourg S.A. | Luxembourg | EUR | 100% | 1,111,000 |
| Lithium 1 Pty Ltd | Australia | AUD | 100% | 10 |
| Pharlap Holdings PTE. Ltd | Singapore | SGD | 100% | 4,172,242 |

There was no change in the group of consolidated companies from prior year. The functional currency for all entities listed above is the local currency, with the exception of Pharlap Holdings Pte Ltd, who's functional currency is AUD.

## 2.3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all of the years presented, unless otherwise stated.

### 2.3.1 Consolidation principles and business combinations

SunMirror AG consolidates all entities over which it exercises control (subsidiaries). Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

SunMirror reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when SunMirror loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date SunMirror gains control until the date when SunMirror ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

The Group determines whether a transaction represents a business combination by assessing whether the acquired assets and assumed liabilities constitute a business i.e., they must include inputs and substantive processes that have the ability to contribute to the creation of outputs. If the transaction does not represent a business combination, then the acquirer recognizes individual identifiable assets acquired and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities based on their relative fair values and no goodwill is recognized.

Acquisitions of businesses are accounted for using the acquisition method.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

### 2.3.2 Exploration and evaluation

Pre-license costs relate to costs incurred before the Group has obtained legal rights to explore in a specific area. Such costs may include the acquisition of exploration data and the associated costs of analyzing that data. These costs are expensed in the period in which they are incurred.

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analyzing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

Exploration and evaluation expenditures in relation to each separate area of interest are recognized as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- The rights to tenure of the area of interest are current; and
- At least one of the following conditions is met:
  - The exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
  - Exploration and evaluation activities in the area of interest have not at the balance sheet date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching, and sampling and associated activities and an allocation of depreciation and amortization of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

An acquired group of assets including exploration and evaluation assets that do not constitute a business are accounted for by the Group by identifying and recognizing the individual identifiable assets and liabilities assumed. The cost incurred is allocated to the individual identifiable asset and liabilities based on their relative fair values at the date of purchase.

Exploration and evaluation assets are assessed for impairment in accordance with the requirements of IFRS 6 i.e., when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development and then amortized over the life of the reserves associated with the area of interest once mining operations have commenced. Any changes in the factors such as estimates of proved and probable reserve (change in the life of the reserves) that affect unit of production calculation are dealt with on a prospective basis.

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

The Group's exploration and evaluation assets are classified as intangible assets in line with IFRS 6.

### 2.3.3 Intangible assets

Intangible assets include primarily the Royalty Agreement acquired as part of the acquisition of Pharlap Holdings. Given that the Royalty Agreement was the only asset acquired, the value of the intangible was determined by reference to the purchase consideration. The substance of the Royalty on Cape Lambert is to be considered economically similar to holding a direct interest in the underlying mineral asset (Retention License), currently held by a third party (MCC) and therefore an asset based on IFRS 6 *Exploration for and Evaluation of Mineral Resources*. Existence risk (the commodity physically existing in the quantity demonstrated), production risk (that the operator can achieve production and operate a commercially viable project), timing risk (commencement and quantity produced, determined by the operator) and price risk (economic feasibility depends on the future commodity price, driven by future supply and demand) are all risks which SunMirror participates in on a similar basis to an owner of the underlying mineral license. On the other hand, SunMirror has no control on the start of production, but does not have to participate in future capital and operating expenditure either. Due to the different contractual nature of the Royalty, it is classified separately from the assets in Note 2.3.2 and as an intangible asset according to IFRS 6.15.

The Royalty Agreement will become effective for a defined period only once development activities will begin. Until then, the intangible asset is assessed for impairment indicators on an ongoing basis (Note 2.4.5). As of 30 June 2023, there were no indicators of impairment. Once the Royalty Agreement becomes available for use, its useful life will be reassessed.

Furthermore, intangible assets contain domains, which are measured at cost. The domains have indefinite useful life and are thus not amortized but instead tested for impairment at least annually, or as soon as there is an indication that the asset may be impaired.

Useful lives of intangible assets are re-assessed at each reporting date.

### 2.3.4 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For some assets and liabilities, observable market transactions or market information is available. For other assets and liabilities, observable market transactions or market information might not be available. When a price for an identical asset or liability is not observable, another valuation technique is used. To increase consistency and comparability in fair value measurements, there are three levels of the fair value hierarchy. Level 1 contains the use of quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 3 inputs are unobservable. Within this hierarchy level estimated values were made, based on reasonable assumptions including other fair value methods by management.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

### 2.3.5 Impairment testing

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. In assessing impairment indicators of exploration and evaluation assets and royalty and similar agreements for these assets, the Group refers to guidance provided under IFRS 6 Exploration for and Evaluation of Mineral Resources. An asset's recoverable amount is the higher of an assets or Cash Generating Unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing an impairment test for Exploration for and Evaluation of Mineral Resources, the Group considers market related risk factors such as general price and market environment, social perception, and marketability of resources, sanctions and geopolitical developments, currency movements and financing options. In addition, the impairment test analyses asset related risk factors such as remaining lifetime of exploration rights, legal risk, additional expenditure risks, changes in legal frameworks succeed or failure of adjacent projects and insufficient commercially recoverable amounts.

At each reporting date the Group assess whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the assets or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

No reversal was recognized in the statement of profit or loss during the period ended 30 June 2023.

### 2.3.6 Taxes

#### Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

### 2.3.7 Foreign currencies

The Group's financial statements are presented in USD, which is different to the functional currency of the parent company (CHF). The Group intends to expand its activities within the mineral sector, whose main currency is the USD.

For each subsidiary, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

The determination of functional currency may involve certain judgements to identify the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

The functional currency the parent entity and each of its subsidiaries, is the currency of the primary economic environment in which the entity operates. For all entities the functional currency is their respective local currency, except for Pharlap Holdings, Singapore, whose functional currency is the Australian Dollar (AUD). This is reflective of the activities of the entity, and in particular the location of the assets held by the entity, and related anticipated royalty income stream also being in AUD.

The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to the statement of profit or loss reflects the amount that arises from using this method.

Following exchange rates were used for translation into Group`s reporting currency (USD):

| **Foreign exchange rates** | Spot rate as of 30 June 2022 | Average exchange rate Jan-Jun 2022 | Average exchange rate Jul-Dez 2021 |
|---|---|---|---|
| USD/CHF | 0.96 | 0.94 | 0.92 |
| USD/EUR | 0.96 | 0.92 | 0.86 |
| USD/AUD | 1.45 | 1.39 | 1.37 |

| **Foreign exchange rates** | Spot rate as of 30 June 2023 | Average exchange rate Jan-Jun 2023 | Average exchange rate Jul-Dez 2022 |
|---|---|---|---|
| USD/CHF | 0.89 | 0.91 | 0.97 |
| USD/EUR | 0.92 | 0.93 | 0.99 |
| USD/AUD | 1.50 | 1.48 | 1.49 |

### Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

In determining the spot exchange rate to use on initial recognition of the related asset, expense, or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Foreign exchange gains or losses are included in financial income or financial expenses

### Presentation currency

Selecting a presentation currency that is different from the functional currency requires a translation from the functional currency into the presentation currency. The results and financial position are translated using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date.
- Income and expenses for each statement presenting profit or loss and other comprehensive income are translated at exchange rates at the transaction dates. The Group uses six months average rates as approximates to the exchange rates at the transaction date.
- All resulting exchange differences are recognized in other comprehensive income, and they are accumulated as a separate reserve, as a component of equity (other reserves).

## 2.3.8 Financial instruments

### Financial assets

Financial instruments are initially measured at fair value (this includes transaction costs except in the initial measurement of financial assets and liabilities that will be measured at fair value through profit or loss). Financial assets are classified at initial recognition, as either subsequently measured at amortized cost, fair value through other comprehensive income (OCI), or fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. For a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group's financial assets mainly consist of investments in shares of a publicly listed company measured at fair value through profit or loss (previous year), a loan given, and cash and cash equivalents measured at amortized cost.

A financial asset is primarily derecognized when either the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows to a third party.

### Impairment of financial assets

An allowance for expected credit losses (ECLs) has to be recognized for all financial debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. Group's financial assets measured at amortized cost contain a loan to a shareholder. The Group reassesses the credit risk and ECLs on these positions at each reporting date.

For trade receivables and other short-term receivables, the Group applies a simplified approach in calculating ECLs. Under this approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. As of 30 June 2023, the Group has no trade receivables.

The Group considers a financial asset in default when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, financial liabilities at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. For purposes of subsequent measurement, financial liabilities are classified in two categories – at amortized cost or at fair value through profit or loss if held for trading or so designated at initial recognition to reduce a measurement or recognition inconsistency.

The Group's financial liabilities mainly consist of loans received (previous year) and trade and other payables measured at amortized cost.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

### Compound financial instruments

Financial instruments which, in addition to a liability component (a contractual arrangement to deliver cash or another financial asset), contain an equity component (i.e., grant an option to the holder of the instrument to convert it into an equity instrument of the entity), are regarded as compound financial instruments. If this is the case, the two components must be separated and classified respectively as financial liabilities and equity.

On initial recognition, the fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option.  For the subsequent measurement, the effective interest rate method is applied whereby the transaction costs are therefore to be distributed over the term with an effect on income.

The initial carrying amount of the equity component is determined as the residual amount after deducting from the fair value of the entire instrument, the amount separately determined for the liability component. The equity component is subsequently not remeasured until maturity. Furthermore, if conversion option(s) are not exercised, the amount recorded in equity is not reclassified (or 'recycled'), although it can be transferred from one equity reserve to another. If, at maturity, the lenders elect to receive shares, the Company derecognises the liabilities in full and recognises an increase in equity of the same amount. No gain or loss is recorded on conversion. Conversely, if the lenders elect to receive cash, the Company derecognises the liability and recognises a corresponding decrease in cash.

Hybrid instruments, which contain both an equity host and an embedded derivative that is required to be separated from a host contract are measured at fair value on the balance sheet. The host contracts carrying value at initial recognition is the difference between the fair value of the entire instrument as a whole and the embedded derivatives fair value. An embedded derivative that is required to be separated from a host contract is measured at fair value on the balance sheet, with changes in fair value being accounted for through profit or loss.

### 2.3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

### 2.3.10 Equity

Share capital represents the nominal value of the shares that have been issued. As of 30 June 2023, the Company has 2'395'755 ordinary bearer shares in issue, each with a nominal value of CHF 1.00.

Capital reserves arise through transactions of a capital nature (i.e., capital increase) by means of a cash contribution and a contribution in kind net of related transaction costs. The capital reserves also arise through equity components of convertible notes at the date of recognition (i.e., value of the conversion rights), and through the conversion of the convertible notes into shares at the date of conversion.

### 2.3.11 Provisions for pensions and other employee benefits

#### Pension plans

Financial The liability or asset recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

Actuarial valuations for the obligations are drawn up annually on the balance sheet date. An actuarial valuation is made based on various assumptions. These include the calculation of the discount rates for unaccrued interest, future wage and salary increases, the mortality rate and future pension increases.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. They are included in other reserves in the statement of changes in equity and in the balance sheet.

For defined contribution plans in UK, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual, or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

### Stock option plan for management

The Board of Directors of SunMirror AG introduced a stock option plan. Certain members of the management and selected key employees are eligible to participate in the plan (participants). The fair value of such options is measured at grant date of the option, and the number expected to vest estimated based on non-market performance conditions (refer to Note 5.2). The number of options expected are revised at the end of each reporting period and, if required, an adjustment recognized in profit or loss and provisions.

Where options are forfeited due to a failure by the participant to satisfy the performance condition, any expense previously recognized is reversed.

## 2.4 Changes in relevant accounting standards

### 2.4.1 Initial application of standards in the fiscal year

In the financial year 2023 no new accounting standards or interpretations became effective, which would have significant impact on the Group. However the following amendments to IFRS were considered in the preparation of the consolidated financial statements.

- Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16. The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. Applicable since 1 January 2022.

- Reference to the Conceptual Framework – Amendments to IFRS 3. Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 levies. The amendments also confirm that contingent assets should not be recognized at the acquisition date. Applicable since 1 January 2022.

- Onerous Contracts – Cost of Fulfilling a Contract - Amendments to IAS 37. The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. Applicable since 1 January 2022.

- Annual Improvements to IFRS Standards 2018–2020. The following improvements are applicable since 1 January 2022:
  - IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

  - IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

  - IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

  - IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

### 2.4.2 Standards issued but not yet effective

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

- IFRS 17 Insurance Contracts -Definition of Accounting Estimates – amendments to IAS 8•International Tax Reform – Pillar Two Model Rules – amendments to IAS 12. Applicable since 1 January 2023.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12•Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.
- The Group also elected to adopt the following amendments early: Amendments to IAS 1 – Classification of liabilities as non-current

## 2.5 Critical accounting judgements and assumptions

The preparation of the Group's financial statements requires management to make judgements, assumptions and estimates that affect the reported amounts of expenses, assets and liabilities and the accompanying disclosures. Key sources of estimation uncertainty could result in outcomes that require a material adjustment to the carrying amount of affected assets or liabilities in future periods. The assumptions about future periods may, however, change due to circumstances arising beyond the control of the management. In such cases the changes in the assumptions will be reflected when they occur.

In preparation of the consolidated financial statements, management made the following critical judgements and estimates, that require disclosure under IAS 1:

- Conversion of compulsory convertible notes – see Note 3.2. The management is of the opinion that the claims are unfounded and does not recognise any liabilities or provisions in connection with this dispute.
- The intangible asset relating to the Royalty agreement for the Cape Lambert magnetite project (Royalty, Note 4.11) is an intangible asset based on IFRS 6 *Exploration for and Evaluation of Mineral Resources* that is not subject to scheduled amortization due to its indefinite useful life. The subsequent measurement of this asset is therefore performed in line with the provisions of IFRS 6. This means that the asset is continuously monitored to determine whether there are risk factors that trigger an impairment test (see Note 2.3.5).

The Royalty on Cape Lambert is an individual asset created on a contractual basis (Royalty Deed) and there are no observable market prices for such an asset. The following parameters were used to determine the value in use:

- An external Pre-Feasibility Study (PFS) on the project of Cape Lambert dated 2008 indicated that the Banded Iron Formation (BIF) ore at Cape Lambert can be mined at a rate of an average of 43.8 million tonnes BIF ore per year over a 30-year life.

- The Royalty (Royalty Deed dated 2005) on the Cape Lambert Magnetite project is AUD 0.50/ tonne of all minerals mined including magnetite BIF ore.

- The discounted value of the Royalty over a projected 30-year life has been calculated using a variety of industry and asset specific discount rates and production start-up dates (see next bullet point). On the basis of assuming an initial production date in 11.2 years' time from 30 June 2023, using a project specific Price to NAV ration ("PNAV") of 0.5x and an industry specific weighted average cost of capital ("WACC") of 9.48%, the Royalty is valued at AUD 43.3 million as of 30 June 2023 compared to the current carrying amount of AUD 38.2 million (Note 4.11).

- Factors used for the DCF valuation: i) Cash flows are discounted assuming a standard weighted average cost of capital (WACC) for the mining industry in Australia ranging from 8% to 11% with a central case of 9.48%. ii) An asset specific PNAV of 0.5x is then applied on the NPV considering that the WAAC already reflects the average riskiness of mining industry cash flows. PNAV for royalty NPVs ranges from 0.5 – 1.0x for non-producing royalties, depending on how close a mine is to production. iii) A range of initial start-up production dates were modelled starting at 5 years to 20 years with a central case at 11.2 years from the date of valuation (i.e. 30 June 2023). To support this assumption, the available infrastructure and the status of operating mines and iron ore reserves in Western Australia have been analysed. Furthermore Australia's Estimated Ore Reserves based on 44 operating mines in Australia (dated December 2021) reported an average of 12 years of reserve life as of 31 December 2021 (i.e. around 10.5 years from the value reference date of 30 June 2023), which fits in with the mid-point start date assumed (11.2 years).

- The central case of WACC is based on calculations as of 30th June 2023 using public data published by a recognised valuation expert Professor Aswath Damodaran from the Stern School of Business at New York University.

- The PNAV assumption is derived from observed market data for publicly listed mining royalty companies sourced from a reputable Canadian brokerage company specialised in the natural resources sector, Cantor Fitzgerald.

Source: https://www.ga.gov.au/digital-publication/aimr2022/australias-estimated-ore-reserves

- If the production start date is decreased from 11.2 years to 5 years' time from 30 June 2023, the Royalty value would increase to a range of AUD 63.2mm to AUD 92.0mm based on a range of WACC of 8% to 11%.
- If the production start date is increased from 11.2 years to 15 years' time from 30 June 2023, the Royalty value would decrease to a range of AUD 22.3mm to AUD 42.6mm based on a range of WACC of 8% to 11%.
- If the production start date is increased from 11.2 years to 20 years' time from 30 June 2023, the Royalty value would decrease to a range of AUD 13.2mm to AUD 29.0mm based on a range of WACC of 8% to 11%.

# 3. SIGNIFICANT TRANSACTIONS AND EVENTS

### 3.1 Repayment of convertible bond

On 8 April 2021, a convertible bond in the amount of USD 2.8 million with a maturity date of 30 May 2022, was fully subscribed. The holder of this convertible bond has not exercised his conversion right. Due to technical problems with the paying agent, the repayment was delayed until 5 July 2022. Repayment of the nominal amount together with accrued interest was recognized in the current reporting period.

### 3.2 Conversion of compulsory convertible notes

In a private placement with institutional investors, SunMirror AG placed a compulsory convertible note on 20 December 2021. As of 31 December 2021, 52'534 notes had been placed at a price of EUR 68.18 each, representing a cash inflow of EUR 3.6 million (USD 4.1 million). The issued notes were automatically converted into 52'534 bearer shares of SunMirror AG one year later with a conversion price of EUR 75 each (20 December 2022). With the declaratory resolution of the Board of Directors, this capital increase was publicly notarized on 23 December 2022. No repayments were made.

The Company has been in a dispute with the holders of the former 52'534 mandatory convertible notes ISIN CH1142529093, which were issued in December 2021 and were automatically converted into SunMirror shares on 20 December 2022 at a price of EUR 75 per share. The noteholders have disputed the conversion of their notes. The Company considers that the notes were rightfully converted to shares and fundamentally disagrees with the noteholder's allegations. On this basis and given the current facts, the Company is of the opinion that the claims are unfounded and does not recognize any provision or contingent liabilities in connection with this dispute.

At a conciliation hearing in March 2023, no settlement was reached. Following such conciliation hearing the noteholders failed to file a claim in Swiss courts within the applicable deadline. In order to file a claim, the noteholders would have to start the process again and request a new conciliation meeting.

### 3.3 Personnel changes

A new and qualified CFO, Laurent Quelin, has been appointed. He officially assumed his function on 1 September 2022. In his position, Laurent Quelin replaces Flavia Sennhauser, who stepped down on 31 August 2022 and ensured the smooth transition to her successor in a transitional phase until 30 September 2022. Laurent Quelin was elected to the Board of Directors of SunMirror AG at the Extraordinary General Meeting of 30 September 2022 and as Chairman of the Board of Directors at the Ordinary General Meeting of 23 December 2022. In addition, Laurent Quelin took over Heinz Kubli's position as CEO following his departure on 1 March 2023. Laurent Quelin's compensation provides for a fixed monthly component and a variable share compensation element (see Note 5.2).

### 3.4 Settlement of legal disputes

#### 3.4.1 Higher Regional Court Munich

After an out-of-court settlement with a service provider and SunMirror AG regarding the invoiced consulting services in connection with the stock exchange listing was not successful, SunMirror AG filed a lawsuit with the Munich Regional Court. With the decision of the Munich Higher Regional Court of 8 November 2022, this legal dispute was terminated in the second instance. As a result of this court decision, the outstanding receivables of the defendant service provider were significantly reduced. The difference between the invoice originally recognized as a liability and the amount to be paid in accordance with the court decision was recognized as other income. (see Note 4.2).

#### 3.4.2 Opus Capital Switzerland AG

In the course of the termination of the cooperation with the former related party Opus Capital Switzerland AG (Opus CH), SunMirror did not pay for and disputed certain invoiced services. SunMirror AG raised a legal proposal (Rechtsvorschlag) on the subsequent payment order (Zahlungsbefehl) of Opus CH. Thereupon, Opus CH filed a request for removal of the legal proposal with the Cantonal Court in Zug. By decision of the single judge of the Canton Zug dated 3 May 2023, Opus CH's request was rejected in its entirety. SunMirror AG had recognized the claims filed by Opus CH as current provision. The current provision no longer required was derecognized as other income (see Note 4.2).

### 3.5 Acquisition of Latitude 66

The acquisition of Latitude 66 Cobalt Limited ("Lat66") pursued by SunMirror AG ended unsuccessfully, as the minimum acceptance condition (90% acceptance, by number, of all Lat66 shares) was not fulfilled at the end of the offer period, being 12 July 2022 (Offer Period). Until the very end of the Offer Period, SunMirror attempted to meet the agreed requirement to raise EUR 70 million of additional capital within the agreed and repeatedly extended timeframe.

Unfortunately, this failed because only part of the EUR 70 million subscribed as part of the capital increase was paid by the investor. All costs related to the acquisition were fully impaired in the prior financial year and derecognized in the current financial year. As a result, there were no further charges in the statement of profit or loss for the financial year 2023.

## 4. DETAILS ON PERFORMANCE AND BALANCE SHEET ITEMS

### 4.1 Revenue

The Group did not start its operating activities yet therefore, no revenue had been generated in the reporting period and in the comparative period.

### 4.2 Other income

Other income results from the reversal or reduction of trade accounts payable and other payables that are no longer required (see Note 3).

### 4.3 Exploration expenditure

Currently, the two evaluation and exploration assets Moolyella and Kingston Keith are being explored for potential resources subject to economic development. The costs incurred were fully capitalized in the financial years 2023 (USD 0.2 million) and 2022 (USD 0.3 million) as disclosed in Note 4.12, which is why there were no charges in the statement of profit and loss.

### 4.4 Personnel expenses

| *In USD thousand* | 2023 | 2022 |
|---|---:|---:|
| Wages and salaries | -865 | -824 |
| Share based payments | -8 | 0 |
| Social security and insurance contributions | -41 | -69 |
| Defined benefits plans | -18 | -31 |
| Defined contribution plans | -4 | -3 |
| Other personnel expenses | -13 | -14 |
| **Total Personnel expenses** | **-949** | **-941** |

### 4.5 General and administrative expenses

| *In USD thousand* | 2023 | 2022 |
|---|---|---|
| Consulting fees | -97 | -947 |
| Regulatory expenses | -213 | -574 |
| Legal and tax fees | -588 | -949 |
| Accounting and auditing fees | -680 | -726 |
| Investor Relations | -294 | -505 |
| Capital tax | -14 | -8 |
| Other operating expenses | -153 | -108 |
| **Total General and administrative expenses** | **-2,039** | **-3,817** |

### 4.6 Depreciation and impairment losses

| *In USD thousand* | 2023 | 2022 |
|---|---|---|
| Impairment of exclusivity fee for the acquisition of Latitutde 66 | 0 | -3,012 |
| Impairment of loans granted to Latitude 66 | 0 | -7,821 |
| **Total Depreciation and impairment losses** | **0** | **-10,833** |

In 2022 there was an impairment of the exclusivity fee, as well as impairment losses on financial assets relate exclusively to the failed acquisition of Latitude 66 (see Note 3.5).

### 4.7 Financial result

| *In USD thousand* | 2023 | 2022 |
|---|---|---|
| Gains on marketable securities | 42 | 0 |
| Foreign currency exchange gains | 81 | 1,283 |
| Interest income | 13 | 14 |
| Other financial income | 0 | 151 |
| **Financial income** | **136** | **1,448** |
| Interest expenses | -218 | -1,175 |
| Foreign currency exchange losses | -510 | -1,091 |
| Losses on marketable securities | 0 | -1,881 |
| **Financial expenses** | **-728** | **-4,147** |
| **Total Financial result** | **-592** | **-2,699** |

The financial income results primarily from gain on the sales of Cadiz Inc. shares, gains on foreign currency transactions and financial liabilities as well as some interest income on a loan to shareholder and fixed deposits.

Financial expenses result primarily from the pro rata reversal of brokerage commission for the compulsory convertible notes (interest expenses) and on foreign currency transactions as well as financial assets.

### 4.8 Income tax

In the current and the comparative periods, the Group did not generate taxable profits. The accumulated tax losses carryforward, which amounted to USD 37.5 million as of 30 June 2022, further increased as of 30 June 2023 to an amount of USD 44.5 million. No deferred tax asset has been recognized in relation to tax loss carry forwards due to the uncertainty of realization.

Tax loss carryforwards currently available in Switzerland amount to USD 18.7 million and can be used to offset any taxable profits within seven years. Those available in Luxembourg amount to USD 22.8 million and can be utilized against taxable profits within 17 years whereas those in Australia and Singapore can be claimed for an unlimited period. The potential tax benefit from such unused tax losses is estimated in Switzerland as the sum of Federal and Cantonal corporate income tax, currently amounting to 12% which is expected to be raised to 15% in 2024 as a result of the OECD minimum taxation. In other territories, the applicable tax benefit is based on the corporate income tax rate applicable in each jurisdiction, being 17% in Luxembourg as well as in Singapore and 30% in Australia.

No deferred tax on temporary differences has been recognized in the period, given the significant amount of deferred tax assets available to offset any resulting deferred tax liability.

### 4.9 Loss per share

Basic earnings per share (EPS) is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Accounting for the capital increase as of 23 December 2022, the weighted average of outstanding shares during the twelve months ended 30 June 2023 was 2'370'424 (30 June 2022: 2'094'000 shares).

Dilutive potential is contained in the stock option plan (previous year compulsory convertible notes). If full conversion potential of the options would be exercised, the stock option holders would receive 8'984 shares of the Company (previous year 52'534 shares). Due to the fact that the Company reported a loss for the year (and previous year), there is no dilutive impact on the EPS.

### 4.10 Segment reporting

The Group did not yet start its operating activities, therefore only one operating and reportable segment has been identified. Consequently, the conduct of exploration activities can be regarded as the Group's sole segment.

### 4.11 Intangible assets

| *In USD thousand* | Royalty | Domains | Total |
|---|---|---|---|
| **Cost as at 01 July 2021** | **28,599** | **13** | **28,612** |
| Currency translation | -2,255 | 0 | -2,255 |
| **Cost as at 30 June 2022** | **26,344** | **13** | **26,357** |
| | | | |
| **Cost as at 01 July 2022** | **26,344** | **13** | **26,357** |
| Currency translation | -923 | 1 | -922 |
| **Cost as at 30 June 2023** | **25,421** | **14** | **25,435** |

Intangible assets include together with the domains the Royalty Agreement for the Cape Lambert Magnetite Project. The decrease in value during the financial year resulted exclusively from currency translation effects. The acquisition value of the royalty on Cape Lambert in the functional currency is AUD 38.2 million. No impairment losses have been recognized on this asset to date.

The Royalty Agreement is not yet available for use and is therefore tested for indicators of impairment at each reporting date (see Note 2.5).

The Group tests whether there are any indicators that the Royalty Agreement may have suffered an impairment on an annual basis. For the 2023 and 2022 reporting periods, no impairment indicator defined under IFRS 6 was identified. The carrying value of the Royalty Asset is linked to a retention license (see Note 1.2). The commencement of the mining operations is currently not yet set.

### 4.12 Exploration & evaluation assets

| *In USD thousand* | Moolyella E45/5573 | Kingston Keith E53/1953 | Total |
|---|---|---|---|
| **Cost as at 01 July 2021** | **3,687** | **149** | **3,836** |
| Additions | 66 | 195 | 261 |
| Currency translation | -293 | -23 | -316 |
| **Cost as at 30 June 2022** | **3,460** | **321** | **3,781** |
| | | | |
| **Cost as at 01 July 2022** | **3,460** | **321** | **3,781** |
| Additions | 141 | 76 | 217 |
| Transfers | 15 | -15 | 0 |
| Currency translation | -123 | -12 | -135 |
| **Cost as at 30 June 2023** | **3,493** | **370** | **3,863** |

Exploration potential acquired consists of the estimated fair value attributable to exploration licenses acquired as part of an asset deal and the capital expenditures made since acquisition. The resulting new information relating to these assets deriving from these activities did not reveal any indication for impairment. These are exclusively assets that are allocated to phase 1 (exploration and evaluation) and have an undefined useful life.

In order to maintain current rights of tenure to exploration tenements, the Group will be required to outlay approximately USD 79 thousand per year to meet minimum expenditure requirements for the duration of the tenements.

### 4.13 Financial assets

| *In USD thousand* | 30 June 2023 | 30 June 2022 |
|---|---|---|
| Securities at fair value through profit or loss | 0 | 68 |
| Loans to shareholders at amortized cost | 333 | 345 |
| **Total Financial assets** | **333** | **413** |

The securities measured at fair value through profit or loss were sold in full in the reporting year. For terms and conditions of the loan to shareholders, refer to Note 5.3.

### 4.14 Other receivables

| *In USD thousand* | 30 June 2023 | 30 June 2022 |
|---|---|---|
| Prepaid expenses and accrued income | 46 | 67 |
| Receivables from government authorities | 22 | 46 |
| Advance payments | 101 | 5 |
| **Total Other short-term receivables** | **169** | **118** |

Prepaid expenses and accrued income contain primarily prepaid expenses for insurance, research, and consulting services as well as prepaid bank fees. Accrued income contains primarily interest income.

### 4.15 Cash and cash equivalents

| *In USD thousand* | 30 June 2023 | 30 June 2022 |
|---|---|---|
| Cash at banks | 3,992 | 10,611 |
| **Total Cash and cash equivalents** | **3,992** | **10,611** |

The decrease in cash and cash equivalents is related to the repayment of the unconverted convertible bond, the reduction of trade and other payables and the net loss for the year.

### 4.16 Shareholders' equity

Reconciliation of the number of shares outstanding:

| | Total |
|---|---|
| **Issued shares on 01 July 2021** | **2,000,000** |
| Shares issued in exchange for cash contribution | 248,121 |
| Conversion of convertible bond | 95,100 |
| **Issued shares on 30 June 2022** | **2,343,221** |
| | |
| **Issued shares on 01 July 2022** | **2,343,221** |
| Conversion of compulsory convertible notes | 52,534 |
| **Issued shares on 30 June 2023** | **2,395,755** |

The increase in share capital is due to newly issued shares as described in the Notes 2.3.10 and 3.2.

### 4.17 Financial liabilities

| *In USD thousand* | 30 June 2023 | 30 June 2022 |
|---|---|---|
| Convertible bond at amortized cost | 0 | 2,829 |
| Compulsory convertible notes at amortized cost | 0 | 3,893 |
| Shareholder loan | 0 | 1 |
| **Total Financial liabilities** | **0** | **6,723** |

The convertible bond at amortized cost and the shareholder loan were repaid. The compulsory convertible notes were converted into newly issued shares. However, the noteholders have disputed the conversion of their notes (see Note 3.2).

The tables below provide details on the cash flows from financing activities:

| *In USD thousand* | Balance as at 01 July 2021 | Cash effective | Non-cash effective | Balance as at 30 June 2022 |
|---|---|---|---|---|
| Convertible bond at amortized cost | 9,568 | 0 | -6,739, | 2,829 |
| Compulsory convertible notes at amortized cost | 0 | 3,681 | 212 | 3,893 |
| Shareholder loan | 68 | -64 | -3 | 1 |
| **Total current financial liabilities** | **9,636** | **3,617** | **-6,530** | **6,723** |

| *In USD thousand* | Balance as at 01 July 2022 | Cash effective | Non-cash effective | Balance as at 30 June 2023 |
|---|---|---|---|---|
| Convertible bond at amortized cost | 2,829 | -2,897 | 68 | 0 |
| Compulsory convertible notes at amortized cost | 3,893 | 0 | -3,893 | 0 |
| Shareholder loan | 1 | -1 | 0 | 0 |
| **Total current financial liabilities** | **6,723** | **-2,898** | **-3,825** | **0** |

The cash-component of the repayment of the convertible loan at amortized cost includes the nominal amount plus interest accumulated over the term. The compulsory convertible notes were converted into newly issued shares (see Note 3.2).

### 4.18 Trade and other payables

| *In USD thousand* | 30 June 2023 | 30 June 2022 |
|---|---:|---:|
| Trade payables | 89 | 915 |
| Other payables | 519 | 755 |
| **Total trade and other payables** | **608** | **1,670** |

Trade payables relate primarily to open balances for received accounting, legal and consulting services as well as audit fees and evaluation & exploration costs. All outstanding balances are generally due within 30 days. Other liabilities include accrued liabilities, current provisions and invoices not yet received.

### 4.19 Other non-financial liabilities

Other non-financial liabilities contain capital tax accruals amounting to USD 13 thousand (previous year: USD 3 thousand.

### 4.20 Provisions for pensions and employee benefits

#### Defined contribution plans:

Obligations for contributions to defined contribution pension plans are recognized as employee benefit expense in the profit or loss when they are due. Prepaid contributions are recognized as assets to the extent that a cash refund or a reduction in future payments is available. The expense recognized in the current period in relation to these contributions amounted to USD 4 thousand (previous year USD 3 thousand).

#### Defined benefit plans:

The Company pays contributions to defined benefit plans for post-employment benefits. The pension fund provides benefits in the event of retirement, death, or disability. The plan's benefits are based on age, years of service, salary and on an individual old age account. The plan is funded by assets held within the legal separate entity of the foundation. The valuation is done by an actuary and is based on the "Projected Unit Credit Method".

#### Development of pension obligations

| *In USD thousand* | Defined benefit obligation | Plan assets | Net defined benefit obligation |
|---|---:|---:|---:|
| **01 July 2022** | 68 | -35 | 33 |
| **Recognized in profit or loss** | | | |
| Current service costs | 18 | | 18 |
| | 86 | -35 | 51 |
| **Other** | | | |
| Contributions to the plan by the employer | | -7 | -7 |
| Contributions to the plan by the employees | 7 | -7 | 0 |
| | 93 | -49 | 44 |
| **Recognized in other comprehensive income** | | | |
| Actuarial gains arising from: | | | |
| - termination of the pension plan | -93 | 49 | -44 |
| **30 June 2023** | 0 | 0 | 0 |

The defined benefit plan was terminated due to employees leaving the Company. For this reason, there is no information on the actuarial assumptions, mortality, etc. The actuarial assumptions are based on the assumptions of the pension plan. A sensitivity analysis is also omitted.

**Stock option plan:**

| *In USD thousand* | Balance as at 01 July 2022 | Cash effective | Non-cash effective | Balance as at 30 June 2023 |
|---|---|---|---|---|
| Stock option plan for management | 0 | 0 | 8 | 8 |
| **Total other non-current provisions** | **0** | **0** | **8** | **8** |

See Note 2.3.11 and 5.2 for further information.

# 5. OTHER DISCLOSURES

## 5.1 Disclosure on financial instruments

### 5.1.1 Fair values and categories of financial instruments

The Group's financial assets comprise of cash at bank and loans issued to shareholders.

Cash at bank is measured at amortized cost and its carrying amount on initial measurement is equal to its nominal amount which is considered to reflect fair value.

Loans to shareholders are measured at amortized cost. The loan is repayable within one year and the carrying amount on initial measurement is not materially different to its nominal amount. The loan is partially secured by shares of SunMirror AG and bears interest at 1.00%.

Financial liabilities contain trade and other payables. All financial liabilities are short-term.

Trade and other payables are measured at amortized cost, which is not materially different to the nominal amount at which they will be settled due to their short-term maturity within the next 12 months, with the majority within 3 months.

The convertible bond, valued at amortized cost, in the amount of USD 2.8 million was fully subscribed in April 2021 and, due to the lack of exercise of the conversion right, was fully repaid in cash in the current reporting period (Note 3.1).

The compulsory convertible note was valued at amortized costs and issued on 20 December 2021, with maturity on 20 December 2022. All subscribed 52'534 bond notes were converted into share capital at a price of EUR 75 per bond and share in the capital increase on 23 December 2022 (Note 3.2).

The table summarizes classification of financial instruments depending on their subsequent measurement.

| *In USD thousand* | 30 June 2023 | 30 June 2022 |
|---|---|---|
| **Financial assets** | | |
| **Measured at fair value through profit or loss** | **0** | **68** |
| Securities at fair value through profit or loss | 0 | 68 |
| **Measured at amortized cost** | **4,325** | **10,956** |
| Cash at banks | 3,992 | 10,611 |
| Loans to shareholders at amortized cost | 333 | 345 |
| **Total Financial assets** | **4,325** | **11,024** |
| | | |
| **Financial liabilities** | | |
| **Measured at amortized cost** | 608 | 8,393 |
| Liability component of convertible bond | 0 | 2,829 |
| Compulsory convertible notes | 0 | 3,893 |
| Shareholder loan | 0 | 1 |
| Trade payables | 89 | 915 |
| Other liabilities | 519 | 755 |
| **Total Financial liabilities** | 608 | 8,393 |

Due to the short-term maturities, fair values of financial instruments held at amortized cost approximate their carrying amounts.

### 5.1.2 Capital management

The objective of the capital management of SunMirror Group is primarily designed to finance the Group's growth strategy and to maximise the shareholder value. Management monitors and adjusts the capital structure to ensure stable financing at the lowest possible cost.

Management considers the Group’s capital as consisting of both equity and debt, whereby debt should have a convertible component which foresees the conversion of such instruments into equity.

### 5.1.3 Financial instruments risk management objective and policies

The Group's risks arising from financial instruments is limited due to the nature of the financial instruments held.

#### Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate because of changes in foreign exchange currencies, interest rates and other market prices. As part of its operations, the Group is exposed to fluctuations in mineral prices, and in particular to those related to lithium and iron ore and in relation to the latter, the future timing of extraction activities.

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's cash at banks. The Group manages this foreign currency risk by monitoring movements in exchange rates.

The largest share of operating activities (e.g., acquisition of exploration licenses) are conducted in AUD, personnel expenses are conducted in CHF and GBP while general and administrative expenses are conducted primarily in CHF, EUR, and AUD.

The Group's exposure to foreign currency risk at the end of the reporting period arises mainly from financial instruments denominated in EUR:

| *In USD thousand* | 30 June 2023 | 30 June 2022 |
|---|---|---|
| **Financial assets denominated in EUR** | | |
| Securities at fair value through profit or loss | 0 | 68 |
| Cash at banks | 3,689 | 10,605 |
| **Total Financial assets denominated in EUR** | **3,689** | **10,673** |
| | | |
| **Financial liabilities denominated in EUR** | | |
| Liability component of convertible bond | 0 | -2,829 |
| Compulsory convertible notes | 0 | -3,893 |
| Trade payables | 67 | -368 |
| Other liabilities | 111 | -203 |
| **Total Financial liabilities denominated in EUR** | **178** | **-7,293** |
| | | |
| **Total financial instruments denominated in EUR** | **3,867** | **3,380** |

#### Sensitivity

The Company is primarily exposed to changes in the EUR/CHF exchange rate. A change of 5% in EUR/CHF exchange rate (ceteris paribus) would lead to a net effect on profit and loss in the follo-wing amount:

| *In USD thousand* | 30 June 2023 | 30 June 2022 |
|---|---|---|
| EUR/ CHF exchange rate - increase 5% | 193 | 169 |
| EUR/ CHF exchange rate - decrease 5% | -193 | -169 |

The aggregate net foreign currency gain (-loss) recognized in profit or loss amounts to USD 193 thousand (PY: USD 169 thousand).

## Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group monitors its risk of a shortage of funds. SunMirror only holds short-term debt and ensures the availability of short-term liquid funds. An exception is the provision for the stock option plan, which is of a long-term nature.

The contractual maturities of the financial liabilities as of 30 June 2023 are limited to current liabilities, as all maturing within the next 12 months, with the majority within 3 months. The same maturity applied to the financial liabilities recognized in previous years. The below table presents the Group's liquidity position as of 30 June 2023 and 30 June 2022. The amounts presented are undiscounted cash flows from financial instruments.

| *In USD thousand* | 30 June 2023 | 30 June 2022 |
|---|---|---|
| **Financial assets** | | |
| Securities at fair value through profit or loss | 0 | 68 |
| Cash at banks | 3,992 | 10,611 |
| Loans to shareholders at amortized cost | 333 | 345 |
| **Total inflow of liquid funds** | **4,325** | **11,024** |
| **Financial liabilities** | | |
| Payment for convertible bond (incl. Interest) | 0 | -2,829 |
| Shareholder loan | 0 | -1 |
| Trade payables | -89 | -915 |
| Other liabilities | -519 | -755 |
| **Total outflow of liquid funds** | **-608** | **-4,500** |
| **Net liquidity from financial instruments** | **3,717** | **6,524** |

## Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its activities, including deposits with banks and financial institutions and the loan given to shareholder.

Credit risk from balances with banks and financial institutions is managed by the Group on an ongoing basis. Credit risk stemming from cash and deposits is very low. SunMirror maintains several relationships with reputable Banks, having an independently assessed credit rating of A2.

Credit risk from the loan with the shareholder is classified by management as medium, as it is not fully secured by the shareholder's shares pledged to SunMirror. In 2023, this resulted in coverage of between 7% and 20%. depending on the current share price of the SunMirror share.

The Group's maximum exposure to credit at the reporting date are the carrying amounts of the financial assets as illustrated in the financial statements, as recognized in the statement of financial position.

## Concentration of market and sources of funding

Concentration of risks depends on exposure to counterparties, geographies, industries, and currencies. The Group actively assesses and manages risk concentrations.

Exposure to geography and industry risks is inherent to the business of the Group. The Group is currently primarily present in Australia. However, activities of the Group are planned to be expanded to other countries as well limiting exposure to geography risks.

## 5.2 Share-based payments

In May 2023, the Board of Directors of SunMirror AG introduced a stock option plan. Certain members of the management and selected key employees are eligible to participate in the plan (participants). This stock option plan establishes a framework to provide participants with long-term incentives and to better align their interests with the interests of shareholders and the prosperity of the Company. The stock option plan is classified as cash settled. However, the Company has the right to settle either in cash or equity at its sole discretion. The stock option plan may be amended from time to time and is a discretionary incentive plan for employee retention and motivation.

Awards are made on the recommendation of the Remuneration Committee based on participant performance and employment conditions and are approved by the Board of Directors. The individual terms and conditions applicable to each participant in connection with each stock option award, in addition to the general provisions of this plan, are subject to a separate award agreement.

Generally, awards are made over a three-year service period. The vested options may subsequently be exercised over a period of 10 years. One option entitles the holder to subscribe one share of SunMirror AG or a corresponding compensation in cash. The exercise prices of the options are calculated by reference to share price historical averages. Upon termination of employment, unvested options may or may not be cancelled depending on the circumstances. The related expense is recognized over the service period in personnel expenses (Note 4.4) and the cumulative liabilities are recognized as non-current provision (Note 4.20).

| *Number of stock options* | Granted, not yet vested | Non-current provision | Personnel expenses |
|---|---|---|---|
| **Stock option plan for management** | | | |
| **Balance as at 01 July 2022** | **0** | **0** | |
| Granted with an average exercise price of EUR 7.00 per share/ option | 17,968 | 0 | 0 |
| Vested within the period and exercisable during the next 10 years | -8,984 | 8,984 | 8,984 |
| Accrual for service period | 0 | 1,822 | 1,822 |
| **Balance as at 30 June 2023** | **8,984** | **10,806** | **10,806** |

## 5.3 Related party transactions

As a result of the resignation of Heinz Kubli as a member of the Board of Directors of Opus Capital Switzerland AG, transactions with Opus Capital Switzerland will no longer be classified as related party transactions as of 1 July 2022.

The Group's related party transactions include transactions with:

- Executive Directors, members of SunMirror's senior and key management personnel who have significant influence over the Company.
- Opus Capital Asset Management GmbH, the company provided custody and execution services in regards of Cadiz Inc. shares, a publicly listed US company. SunMirror AG has sold the last Cadiz Inc. shares in September 2022, therefore the contract with Opus Capital Asset Management GmbH was terminated on that date. No more costs were invoiced in the period from July to September 2022.
- Gilmore Capital Ltd (formerly Gravner Ltd.), a shareholder with significant influence over SunMirror supports the Group by searching for investment opportunities. These services are provided free of charge.

The compensation of senior and key management personnel comprised the following:

| *In USD thousand* | 2023 | 2022 |
|---|---|---|
| Short-term employee benefits | 749 | 460 |
| Share-based payments | 8 | 0 |
| Post-employment benefit plans | 21 | 31 |
| **Total** | **778** | **491** |

The amounts disclosed in the table are the amounts recognized as an expense during the reporting periods related to key management personnel.

The following transactions occurred with related parties:

| *In USD thousand* | 2023 | 2022 |
|---|---|---|
| Services from related parties | 0 | -730 |
| Transactions resulting from loans received from related parties | 3 | 0 |
| **Total** | **3** | **-730** |

The following balances are outstanding at the end of the repor-ting period in relation to transactions with related parties:

| *In USD thousand* | 30 June 2023 | 30 June 2022 |
|---|---|---|
| **Current liabilities from:** | | |
| Senior and key management personnel | -13 | -47 |
| **Current receivables to:** | | |
| Other related parties | 0 | 5 |
| **Total** | **-13** | **-42** |
| **Loan granted to:** | | |
| Other related parties | 333 | 345 |
| **Total** | **333** | **345** |
| **Non-current provisions:** | | |
| Stock option plan for management | -8 | 0 |
| **Total** | **-8** | **0** |

The loan granted to the shareholder contemplates repayment in cash on demand in full including interest at an interest rate of 1% per annum. It is more likely than not that the loan (together with accrued interest) will be settled through delivery of an agreed Australian Exploration License subject to satisfactory due diligence and documentation. The loan is partially secured by shares of SunMirror AG.

| *In USD thousand* | 2023 | 2022 |
|---|---|---|
| Impairment of receivables from related parties | 0 | 16 |
| **Total** | **0** | **16** |

# Events after the end of reporting period

The Austrian Financial Reporting Enforcement Panel (AFREP) has audited our financial reporting and the annual financial statements for 2021 and 2022. The audit started in December 2022 and the results were communicated in October 2023. In this letter dated 9 October 2023, AFREP concluded that our accounting was incorrect. AFREP confirms the classification of the Royalty on Cape Lambert as an intangible asset, but concludes in the subsequent measurement that the impairment test should have been performed annually according to the provisions of IAS 36.10 lit. a. In summary, AFREP is of the opinion that the Royalty on Cape Lambert cannot be regarded as an asset in accordance with IFRS 6.

Following thorough consultation with our advisors, the Board of Directors of SunMirror does not share AFREP's assessment and has therefore disagreed with the audit findings. A valuation of the Royalty on Cape Lambert prepared in the meantime by an external expert concludes that, based on the assumptions made (see Note 2.5), the current value of the Royalty supports the carrying amount. Thus, regardless of the impairment assessment, there is no deviation in the subsequent measurement under either IAS 36 (AFREP perspective) or IFRS 6 (SunMirror perspective). The proceedings have now been forwarded by AFREP to the Austrian Financial Market Authority (FMA), which will form an independent opinion on this matter. The proceedings had not been concluded at the time the consolidated financial statements were prepared.

Irrespective of the FMA's decision, the Board of Directors does not expect any impact on the figures published in these consolidated financial statements.

FERAX

Report of the statutory auditor
to the general meeting of
**SunMirror AG, Zug**

Zurich, November 28, 2023

## Report on the audit of the consolidated financial statements

*Opinion*

We have audited the consolidated financial statements of SunMirror AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2023, the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion the consolidated financial statemens presented on pages 50 to 84 give a true and fair view of the consolidated financial position of the Group as at June 30, 2023 and of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

*Basis for Opinion*

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor's responsibilities for the audit of the consolidated financial statements” section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Emphasis of Matter*

We draw attention to note events after the end of reporting period on page 84 to the consolidated financial statements describing the potential impact of the audit results of the Austrian Financial Reporting Enforcement Panel (AFREP) on the financial reporting and the annual financial statements as at June 30, 2022 and June 30, 2021. Our opinion is not qualified in respect of this matter.

*Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Valuation of non current assets |
|---|
| The carrying amount of the Group's non-current assets within the scope of IFRS 6 - Exploration for and evaluation of mineral resources - includes intangible assets in the form of license rights and exploration and evaluation assets. As of June 30, 2023, these totaled USD 29 million (June 30, 2022: USD 30 million, see notes 4.11 and 4.12). The carrying amount of exploration assets represents a total of 87% of the Group's total assets as of June 30, 2023 (June 30, 2022: 73%). |
| **Audit matter** |
| Given the significance of the amounts in the balance sheet and the inherent uncertainties such as:<br>- the long-term focus on potential development and mining of metals; |

- the determination of whether or not suspected deposits actually exist;
- the determination and assessment of any impairment indicators that may exist;
- dependencies on third party interests, some of which are significant;

we have classified the valuation of intangible assets as a key audit matter.

**Our approach**

Our audit procedures included the following:

- We obtained an understanding of the valuation methodology and assessment of impairment indicators applied by management for the year ended June 30, 2023.
- We assessed the design and implementation of relevant controls related to management's assessment of potential impairment indicators as of year-end.
- We engaged an expert in the valuation of exploration and evaluation of mineral resources to assess management's judgment and management expert's judgement and whether the carrying amounts of the assets are appropriate.
- We performed the following additional audit procedures to verify the existence of the recognized intangible assets:
  - Reviewed the underlying exploration licenses and related required activities to verify the existence of ownership and validity as of year-end;
  - Review of recent field visit reports prepared by management's expert;
  - Interviewing management;
  - With respect to the license rights, we requested a third-party confirmation from the licensee confirming the license rights as per the original agreement and the ownership of the respective retention license.

Based on our audit results, we conclude that the valuation of the assets is in accordance with IFRS and that management's assessment that there are no impairment indicators is reasonable.

*Other matter*

The consolidated financial statements of the Group for the year ended June 30, 2022 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on October 28, 2022.

*Other information*

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Board of Directors' responsibilities for the consolidated financial statements*

The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a ture and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

*Auditor’s responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISA and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

## Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ferax Treuhand AG

| | |
|---|---|
| Renzo Peduzzi | Ronito Kunz |
| *Licensed Audit Expert* | *Licensed Audit Expert* |
| *Auditor in charge* | |

# Statement by all legal representatives

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

Zug, 20 November 2023

Laurent Quelin e.h.
Chairman

Daniel Monks e.h.
Board member

## MANAGEMENT REPORT

2022/23

AS AT 30 JUNE 2023

# ECONOMIC ENVIRONMENT

# CONTENT

# ECONOMIC ENVIRONMENT

**SUMMARY:** Global macroeconomic conditions improved by less than expected in 1H 2023, as tightening monetary policy — aimed at curbing still-high inflation — weakened global demand. Tight fiscal and monetary conditions in most major economies are expected to slow global economic growth over H2 2023 and early 2024. The International Monetary Fund (IMF) forecasts the world economy to grow by 3.0% in 2023 and 2024 and 3.2% in 2025. The outlook for major Asian economies remains weak, with their GDP growth in 2023 forecast to be around 3.75%, well below its pre-pandemic decade average.

## MACROECONOMIC ENVIRONMENT

World growth continues to soften as the rebound in Chinese economic activity post-Covid has been weaker than expected while the impact of higher interest rates in major Western economies is slowing growth, and persistent inflation continues to pose a risk of further monetary tightening.

Savings accumulated by households in China during the pandemic were nowhere near as large as in many Western nations and youth unemployment has hit a record rate of over 20%, putting pressure on the Government to announce new measures to boost growth.

High local government debt in China remains a major concern. It is likely to take some quarters before China grows strongly enough to give resource and energy commodity prices a meaningful boost.

Monetary policy has been tightened further in the major Western economies reducing upward pressure on employment and wages. However, consuming nations' efforts to replenish/fill strategic oil reserves, and output cuts by energy producers, will act to support oil prices.

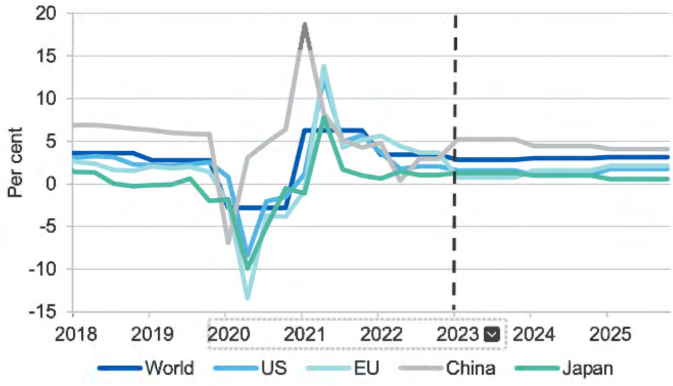
# WORLD ECONOMIC OUTLOOK

The IMF expects a substantial divergence to emerge between the performance of advanced and emerging economies over the next two years. After recording growth below the global average last year — for the first time in more than 40 years — China's economy is expected to exceed 5% growth this year. However, the US and EU are expected to slow in 2023, under the weight of tighter monetary policy.

China's rebounding economy offers a boost to the growth prospects of its trade partners, but additional risks to the global outlook have emerged in recent months. While headline inflation has continued to moderate in most economies this year — due to lower energy and food prices — there has not been a sufficient decline in core inflation.

Labour markets remain resilient, with near full employment conditions persisting in many major advanced economites resulting in decade-high wage growth. However, job vacancy-to-unemployment ratios have moderated in recent months, pointing to a modest easing in labour demand.

## GDP Growth - Historical and Forecast




Source: IMF (2023)

Despite these tight labour markets, reduced consumption— due to inflation and tighter monetary policy — is driving expectations for further slowing of growth over the remainder of the year. Weaker consumer demand for goods relative to services in the US and Europe will also weigh on the economic growth of manufacturing exporters — including China, Japan and Korea.

The IMF notes that tighter monetary policy is a key risk to the outlook if inflation pressures, particularly in services, prove more persistent than expected. Another source of global economic vulnerability stems from the possibility of the war in Ukraine escalating, and of further geopolitical fragmentation.

An additional risk is the uncertainty surrounding further financial sector vulnerabilities, tightening global financial conditions. The IMF's baseline economic forecasts assume recent financial sector stresses are contained.

*Source: https://www.industry.gov.au/sites/default/files/2023-07/resources-and-energy-quarterly-june-2023.pdf*

# Relevant Commodity Markets

## GOLD

**SUMMARY:** Gold prices have averaged US$1,920/oz in 1H 2023, with support coming from strong safe-haven buying and a slightly weaker US dollar. Prices are forecast to remain elevated but decline gradually to average around US$1,770/oz in 2025. Australian gold production decreased to 71 tonnes in 1Q 2023, due to disruption from heavy rainfall. Production is forecast to increase with new projects and expansions. Gold earnings are forecast to decrease from $23 billion in 2022–23 to around $21 billion in 2024–25, as lower prices outweigh higher volumes.

### World gold consumption increased in the March quarter of 2022

World gold demand decreased by 13% year-on-year to 1,081 tonnes in 1Q 2023. This was driven by a 51% decline in investment demand, partially offset by continued strength in central bank net purchases.
Central banks and other government financial institutions buying increased by 176% year-on-year to a record first-quarter high of 228 tonnes in the March quarter 2023.
Consumer demand for gold (jewellery, gold coins and bars) in 1Q 2023 was higher year-on-year, however this growth was more than offset by outflows from gold-backed ETFs.

### Gold consumption to grow over the medium-term

World gold consumption is forecast to increase gradually after 2023, to reach about 4,500 tonnes by 2025. Demand growth is expected to be largely driven by increasing jewellery consumption, with investment demand and technological usage contributing to a lesser extent. Jewellery consumption is forecast to grow strongly from 2023 onwards, to reach 2,500 tonnes by 2025, supported by improvements in consumer sentiment and rising incomes, particularly in the key markets of China and India, with lower gold prices and a weaker US dollar expected to drive demand up almost 10% in 2024.

Investment demand is forecast to remain steady through 2025 at around 1,150 tonnes as inflation eases down towards central bank targets resulting in interest rates declining over the medium-term. A decline in real interest rates will support institutional investment and retail demand. Physical (bar and coin) demand is expected to remain strong, as lower prices and economic uncertainty support buying activity near recent elevated levels. Official sector demand is projected to moderate to around 550 tonnes a year in 2024 and 2025. Buying activity is expected to be strongly driven by emerging market central banks, which will continue long-term diversification of their reserves with gold.

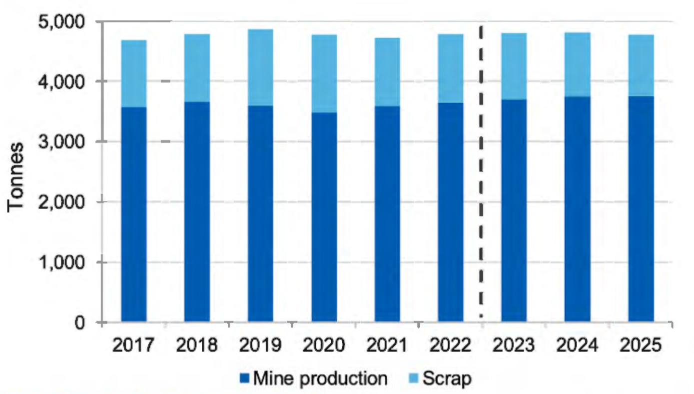
### World supply increased in March quarter 2023

World gold supply increased by 0.8% year-on-year to 1,174 tonnes in the March quarter 2023, driven by both higher mine production and recycling. Global mine production rose by 1.5% year-on-year to a record high March quarter of 856 tonnes, driven by increased production from the major producers and ramp-up of new projects in Mongolia and Brazil.
Production in China - the world's largest gold producing country - rose by 1.9% year-on-year to 85 tonnes in 1Q 2023, with the result of fewer weather- and COVID-related disruptions. In Australia - the third-largest gold producing country - output decreased by 2.6% year-on-year in 1Q 2023, to 71 tonnes, due to disruptions from heavy rainfalls. Gold recycling rose to 310 tonnes - the highest March quarter in 7 years - in response to stronger gold prices. Recycling growth was strong in India (up by 25% year-on-year), a particularly price- sensitive market.

### World supply to stabilise after peaking in 2024

Global gold supply is forecast to stabilise at around 4,800 tonnes in the period to 2025, with increasing world gold mine production offset by decreasing recycling activity. World gold mine production is forecast to rise by 1.0% a year on average by 2025 to 3,760 tonnes, led by increases in Canada, Chile and Brazil, while continued environmental regulations and industry consolidation in China will see production fall over the medium-term. Partially offsetting increases in mine production, gold recycling activity is forecast to decline on average by 3.8% a year by 2025, due to lower forecast gold prices.

Global Gold Production - Historical and Forecast




Note: Net producer hedging is not included.

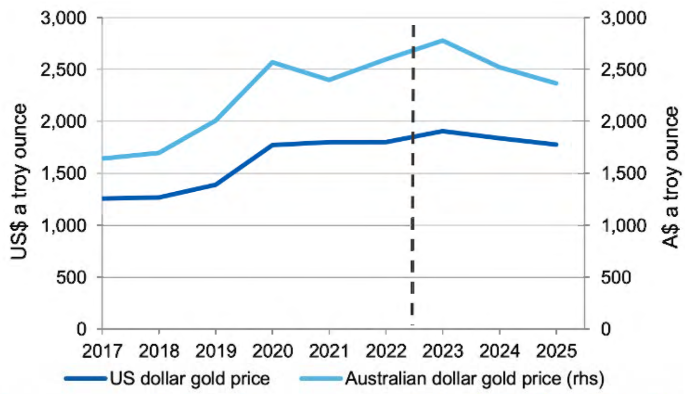
Source: Department of Industry, Science and Resources (2023); Metals Focus (2023); World Gold Council (2023).

### Gold prices rose strongly in 1H 2023

Gold price rose as high as US$2,050/oz in May 2023, with prices 1H 2023 averaging around US$1920/oz — 2.7% higher than in 2022. The rally through March was due to increased safe-haven buying, following problems with several tier 2 US banks. Prices have remained at high levels, due to a range of factors including lower US Treasury yields, a weaker US dollar and strong central bank buying. Real US Treasury yields - which has historically held an inverse correlation with gold prices - underwent a correction from 14-year highs, as markets increasingly priced in interest rate cuts by the US Federal Reserve.

Lower bond yields tend to increase gold's appeal to institutional and retail investors as a secure asset to hedge against inflation or other risks. This is because decreases in the yield of a US (or other credible government) Treasury bond lower the so-called market "risk-free rate", and hence the opportunity cost of holding gold, although the relationship between real bond yields and gold prices weakened sharply following the Russian invasion of Ukraine — as prices were lifted by heightened safe-haven demand for gold — and led to the US dollar becoming a stronger driver of gold prices.

Gold Price - Historical and Forecast




Source: Department of Industry, Science and Resources (2023); LBMA (2023) Gold price PM

### Gold exploration expenditure declined in the March quarter 2023

Australia's gold exploration expenditure decreased by 21% year-on-year to $286 million in the March quarter 2023 (70% of which in Western Australia). As a result, gold's share of Australian mineral exploration expenditure declined to an 8-year low of 32% in the quarter, down from 43% a year earlier. This decline in exploration occurred despite soaring Australian gold prices, which have historically motivated high exploration expenditure.

Source: https://www.industry.gov.au/sites/default/files/2023-07/resources-and-energy-quarterly-june-2023.pdf

# LITHIUM

**SUMMARY** The value of Australian lithium exports is set to decline from its 2022–23 record, with lower prices offsetting the impact of higher export volumes. Prices are falling as the global supply of lithium catches up to global demand. Project expansions and new mines will enable Australian lithium mine production to rise, with a growing share of mine output refined domestically to produce lithium hydroxide. Sources of global lithium supply continue to diversify amidst international efforts to strengthen critical minerals security. This provides further opportunities for investment in Australian lithium assets. .

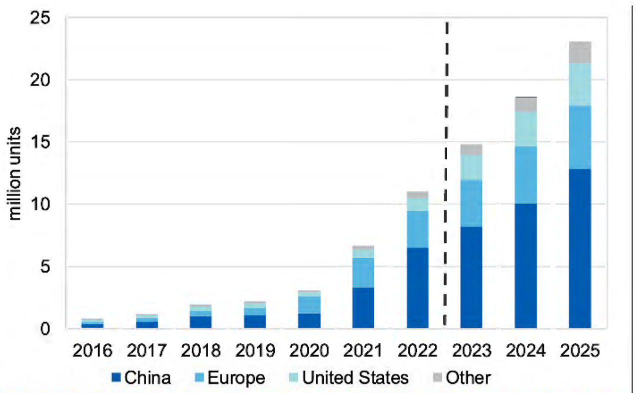
### EV Policy support across major economies

China leads global EV sales, with the highest EV share of domestic vehicle sales (28% in 2022). The high uptake of EVs in China was supported by domestic subsidies that commenced in 2009. In June 2023, the vehicle purchase tax exemption was extended through end 2027. Chinese EV uptake is expected to increase from 6.5 to 13 million over the outlook period. Several local governments have also announced incentives to support the attainment of national EV targets. China has already surpassed the country's target of a 20% share for 'new energy vehicles sales by 2025. The country's national action plan sets a target of 40% sales share by 2030.
Europe is the second largest EV market and increasing EV uptake is expected despite lower government support expected in coming years. The EV share of vehicle sales is high (21% in 2022) and sales are expected to increase from 3.0 to 5.1 million over the outlook period. The IEA reports per-unit support by European governments of around US$6,000 since 2017 but notes average support could drop in 2023 and beyond — as subsidies decrease in countries such as Germany, the United Kingdom, and France.
Between 2025 and 2029, EU car manufacturers that achieve a 25% share of 'zero and low emission cars' will benefit from an incentive mechanism. In March 2023, the 'Fit for 55' package was announced, requiring new car sales to have 55% lower CO2 emissions from 2030 and zero emissions from 2035.
In the United States, newly announced policy support is expected to drive increased EV uptake from current low levels. US EV sales are forecast to rise from 1.0 million in 2022 to 3.3 million in 2025. The EV share of US vehicles sales is currently relatively low (7.3% in 2022). Previously, the primary policy support for EVs in the US was a tax credit.

### Growing production of lithium required to meet rapidly increasing demand

World lithium production is forecast to continue growing, spurred by rapidly increasing world demand induced by the global energy transition, and the high prices resulting from lithium market deficits in recent years. In LCE terms, world lithium production is forecast to increase from 737 kt to 1472 kt over the period 2022–25. This rise will result from increased investment in the extraction of brine and mining of hard rock, including spodumene and lepidolite. To meet rapidly growing demand for lithium, increased global investment in lithium refining is expected.

Global EV Sales - Historical and Forecast

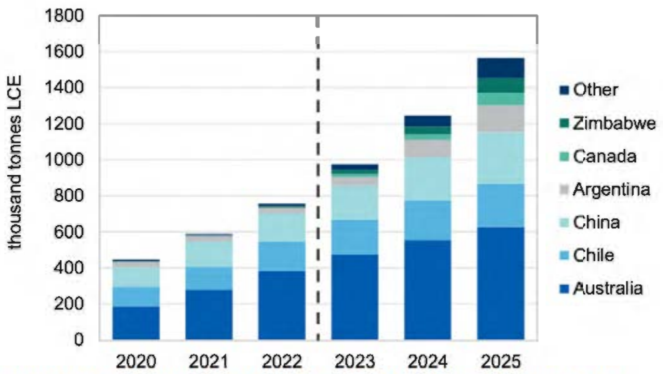



Note: Electric vehicles are defined to be battery electric vehicles and plug-in hybrid electric vehicles.
Source: Wood Mackenzie (2023)

### Increasing extraction of lithium, uncertain influence of governments

Increased extraction of lithium resources reflects higher production across all major producer nations alongside the ramp up of some smaller producers. The main uncertainty for this forecast relates to recent announcements by governments in Chile and China. Australia leads global lithium extraction (50% in 2022) and spodumene production is forecast to increase from 382 to 631 kt LCE in the 2022–25 period.

### Global Lithium extraction, by country




Note: Global lithium extraction differs from the measure of world lithium production in this report. Lithium production is defined to reflect refined production of lithium chemicals such as lithium hydroxide and lithium carbonate. In contrast, lithium extraction includes lithium resources extracted from brines or mines.
Source: Department of Industry, Science and Resources (2023), Wood Mackenzie (2023)

Chile (the second largest source of lithium extraction) is expected to see further growth in lithium production over the outlook. While Chile announced plans to nationalise the lithium industry in April 2023, the government stated its intention to honour current lease arrangements that extend out to 2043 for Albemarle and 2030 for SQM. As a result, this announcement is assumed to not materially impact production by 2025.

The rate of growth in lithium extraction in China faces some uncertainty due to the prospect of further government regulation. A key uncertainty relates to the policing of Chinese industry mining/processing standards, particularly for the extraction of lepidolite. In February 2023, government investigations led to closures of some producers (mainly lepidolite), due to unlicensed mining and environmental infringements. Stricter regulations would decrease production in the short term, but could lead to an increase in the ESG credentials of Chinese lithium suppliers in the medium to long term.

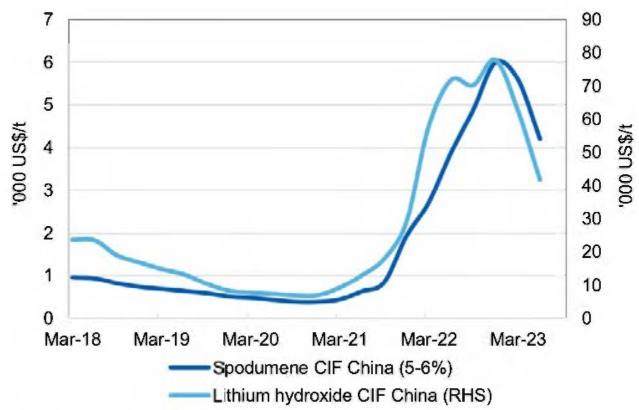
In terms of other countries, Argentina, Canada and Zimbabwe, are expected to significantly increase lithium extraction, and account for a combined 19% share of global extraction by 2025 (from 5.1% in 2022).

### Lithium prices to moderate as supply catches up with demand

Lithium prices rose dramatically in 2022, as rapidly growing global demand outpaced growth in global supply, driven by the unprecedented pace of EV demand growth in 2021 and 2022. This was in direct contrast to the two preceding years. Insufficient growth in global EV sales during 2019 and 2020 contributed to lithium production outpacing demand, resulting in the build-up of lithium inventories and large decreases in lithium prices. Unfavourable prices over that period led to several mine operations becoming insolvent or being placed under care and maintenance, and incentivised less investment in lithium supply, contributing to global demand outpacing global supply.

In 2022, spot prices for spodumene (concentrated ore) averaged US$4,368 per tonne, well above the average level of US$671 per tonne over the 3 years to 2021. The spot price of lithium hydroxide (a lithium chemical that has undergone refinement and is generally battery grade) averaged US$69,370 per tonne in 2022, dramatically higher than the average price of US$12,163 per tonne over the 3 years to 2021.

### Spodumene and Lithium Hydroxyde Prices




Source: Bloomberg (2023)

Prices are forecast to remain elevated in 2023, then decline significantly in 2024 and 2025, as the supply of lithium catches up to demand. Demand is expected to grow at recent high rates, driven by growth in global EV sales — forecast at 3–4 million units over the forecast period. Growing demand and high prices have driven an acceleration in growth of lithium supply tot he extent that there are increased instances of lower grade production. In particular, the average brine grade continues to be diluted by new entrants in marginal fields, and there are rising instances of direct shipped ore with lithium concentrations as low as 1–2% compared to typical spodumene concentrate of 6%. Lithium prices are expected to decline, but not to the low levels observed in 2019 and 2020. The average spot price of spodumene is forecast to rise slightly in 2023 (to about US$4,357 per tonne), then decline to average US$2,740 per tonne in 2024 and US$2,149 per tonne in 2025. The spot price of lithium hydroxide is forecast to decline at a faster pace, falling to be about US$46,746 in 2023, then decline further to around US$35,416 per tonne in 2024 and US$30,357 per tonne in 2025.

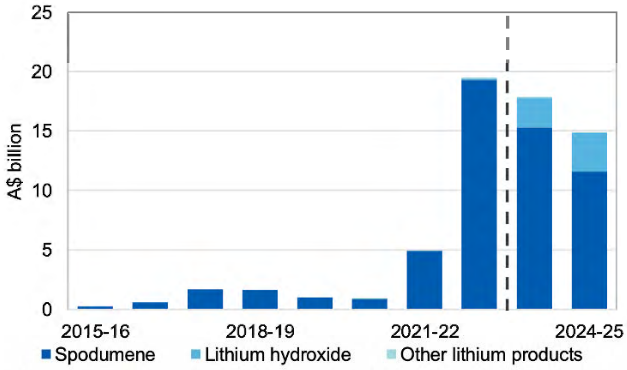
## Increasing Australian lithium mine production, expansions for most mines

Australia leads global lithium extraction, and mine production is forecast to continue growing. Mine production of spodumene is forecast to rise from 3.1 million tonnes (Mt) in 2022–23, to 3.4 Mt in 2023–24, and to 4.0 Mt in 2024–25. In LCE terms, this equates to 452 kt in 2022–23, 507 kt in 2023– 24, and 596 kt in 2024–25. Rising mine production is driven by expansion of existing mines, including Greenbushes, Wodgina, Pilgangoora, Mt Marion and Mt Cattlin. Furthermore, production has commenced at Finniss and is expected to commence at Mt Holland and Kathleen Valley. Other lithium deposits are under exploration and are assumed to not achieve production by 2025.

## Record lithium export earnings to decrease as prices decline

The value of lithium exports is expected to be $19.5 billion in 2022–23, a significant increase from the previous record of $5.0 billion in 2021–22. The increase was driven by prices nearly tripling and the volume of spodumene exports increasing by 44%. The value of lithium exports is forecast to decline to $17.8 billion in 2023–24, then decrease further to $14.9 billion in 2024–25 driven by falling prices in through 2025, despite remaining high in historical terms. In terms of volumes, spodumene exports will grow at a slower pace, due to an increasing share of domestic refining to produce lithium hydroxide.
In 2021–22, 96% of spodumene by volume was exported to China. The remainder was exported to countries such as Belgium (2%), South Korea (1%), and the United States (1%).

### Spodumene and Lithium Hydroxide Exports - Historical and Forecast




Note: Before January 2021, ABS spodumene exports data was subject to confidentiality. Data prior to this date is sourced from WA Department of Mines, Industry Regulation and Safety.
Source: ABS (2023), Department of Industry, Science and Resources (2023), WA Department of Mines, Industry Regulation and Safety (2022).

*Source: https://www.industry.gov.au/sites/default/files/2023-07/resources-and-energy-quarterly-june-2023.pdf*

# IRON ORE

**SUMMARY** Spot iron ore prices have moderated in 2Q 2023, driven by the slowdown in global economic growth and an easing in the rate of recovery of Chinese steel production. Australian export volumes have been rising steadily in recent years with further greenfield supply from established and emerging producers expected to come online in the next few years. Australia's iron ore export earnings are expected to decline from $123 billion in 2022–23 to $110 billion in 2023–24, and to $93 billion in 2024–25, driven by lower prices over the outlook period.

## Iron ore price and China steel production, monthly

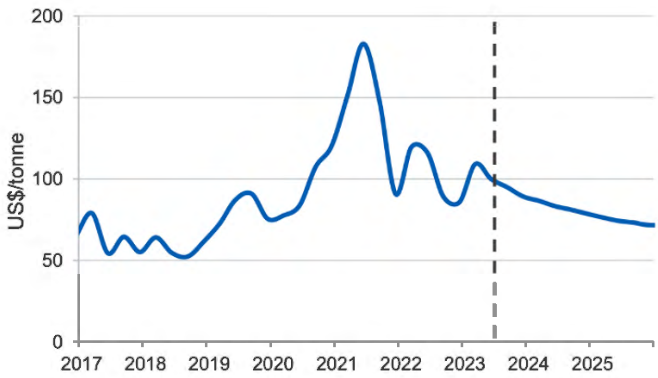

Notes: China import Iron ore fines 62% Fe spot (CFR Tianjin port)
Source: Bloomberg (2023) China import prices; World Steel Association (2023)

### Prices to ease over outlook as global iron ore demand softens

China — which accounts for almost 60% of global iron ore demand — is projected to see a modest fall in total steel output over the outlook period to 2025. This is expected to soften the rate of growth (1.1% annually) in global iron ore demand in the coming years, driving iron ore prices down.

China faces a number of key structural drivers that are expected to contribute to lower growth in iron ore demand. China's stated aim to reach peak steel output by 2030 — as part of a longer-term shift in its economy away from investment-led (and toward consumption-led) growth — is a key driver.

## Iron ore price - Historical and Forecast




Notes: China import iron ore fines 62% Fe spot (FOB)
Source: Bloomberg (2023); Department of Industry, Science and Resources (2023)

A falling population and workforce in China is expected to contribute to more modest rates of economic growth overall, as well as less 'steel intensive' growth. With the real estate sector constituting as much as 25% of the Chinese economy, property sector weakness will continue to suppress near-term steel demand.

However, over the outlook period, strong growth in ex-China iron ore demand is expected from rising steel demand and production capacity in regions such as emerging Asia and the Middle East. This includes over 100 million tonnes of integrated (Blast Furnace-Basic Oxygen Furnace) steelmaking, expected to come online in the next few years in Asia alone.

On the supply side, the world's two largest producers — Australia and Brazil — are expected to continue to grow export volumes by 3.0% per annum over the outlook period to 2025. This follows a ramp up of greenfield projects for major Australian miners, and major expansions planned by Brazilian producers Vale, CSN and others. New supply from emerging producers in Africa will also contribute to the growth in global trade of iron ore.

From an estimated average price of around US$98 per tonne (FOB) in 2023, the benchmark iron ore price is projected to progressively decline to an average of about US$74 per tonne by 2025.

Portside sales of iron ore in China are expected to continue as a relatively small, though important, form of access for global trade of iron ore over the outlook period. The settlement of trades in Chinese renminbi (as opposed to US dollars) will likely continue to grow. Last year, BHP delivered its first shipment of a spot trade of RMB-based iron ore, with other major producers (such as Rio Tinto and Fortescue) also reporting a significant increase in portside sales. This, along with the introduction of a new RMB-backed futures contract for China portside fines by CME Group, is consistent with the broader objective set out by China in its current 5 year plan to promote the international use of the RMB, particularly in the trade of commodities.

## Australian earnings to fall as easing prices offset production rises

Australia's iron ore export earnings were $32.9 billion in the March quarter 2023, a 5.8% (or $1.8 billion) increase year-on-year. The rise reflected slightly stronger iron ore prices, with the unit export price in the 1Q 2023 averaging around $152 per tonne — 1% higher compared with the same period in 2022.

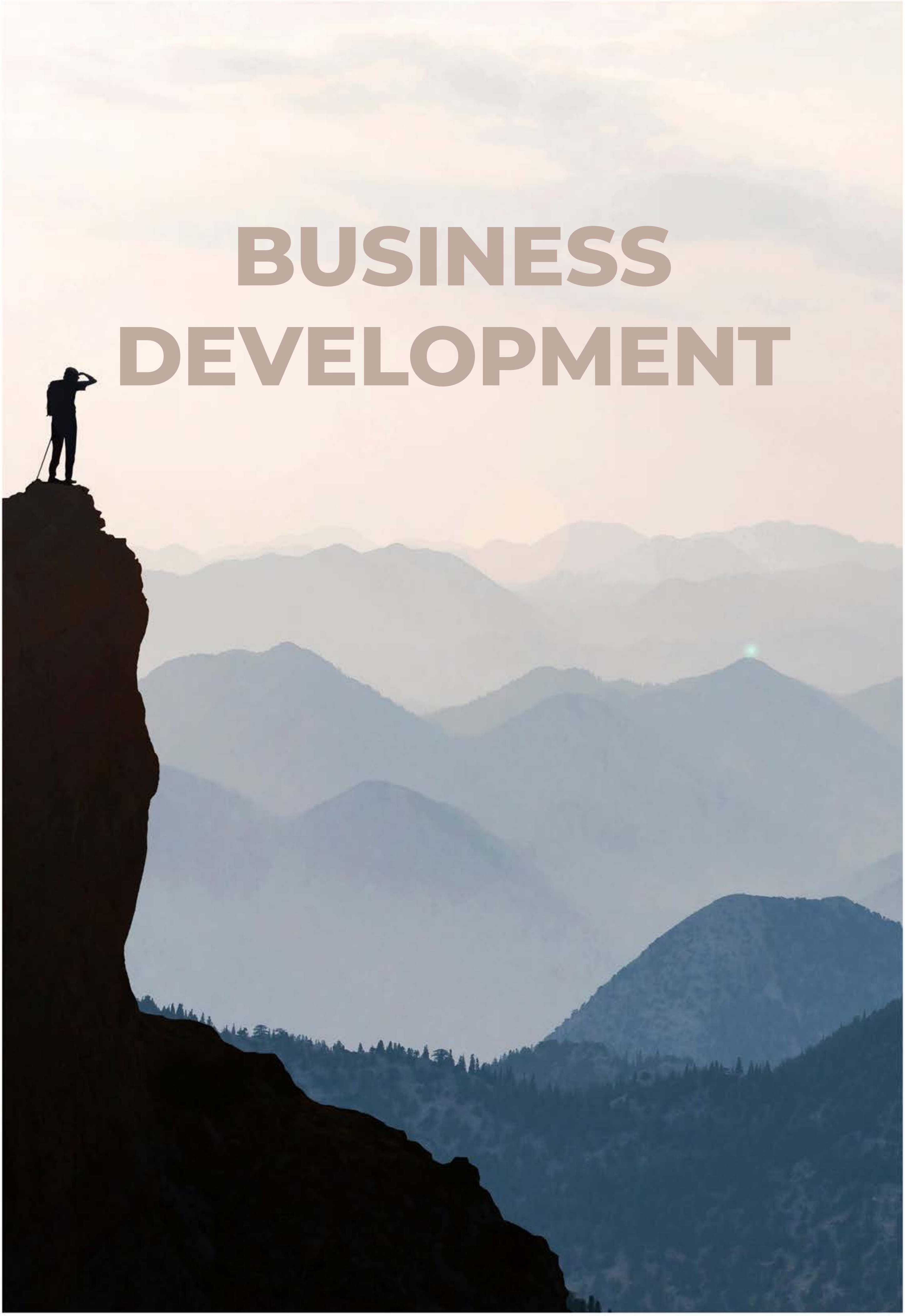
Australia exported 222 million tonnes of iron ore in the March quarter, up 7.7% year-on-year. The increase reflected the ongoing ramp up of Rio Tinto's Gudai-Darri, BHP's South Flank and Fortescue's Eliwana.

## Australian exploration fell in March quarter 2023

A total of $137 million was spent on iron ore exploration in the March quarter 2023. This was 21% lower compared with the previous quarter, and 1.4% lower than the same period in 2022. Exploration has fallen from near decade highs last year, following iron ore prices reaching historical highs in the first half of 2021.

*Source: https://www.industry.gov.au/sites/default/files/2023-07/resources-and-energy-quarterly-june-2023.pdf*

# BUSINESS DEVELOPMENT



# CONTENT

# BUSINESS DEVELOPMENT

## Business Update

Fiscal 2023 has been a year of transition where much has been achieved to lay strong foundations for future development of the Group.

First of all, we have gone a long way in reducing overhead and expenses at the Group level, with a reduction of monthly cash burn by approximately 48% compared to 2021/2022. We have further plans for overhead cost reduction in 2023/2024. Reorganization of the Group at the SunMirror Luxembourg S.A. level has been postponed as various tax implications are being considered.

In terms of business development, we have focused on SunMirror's existing exploration assets, Moolyella and Kingston Keith and made significant progress at both, as detailed in the next few pages. lays the ground for drilling activities in 2024. Various consultations with the local aboriginal populations need first to be completed and regulatory approvals for our plans of work at both licanses obtained. Given its lower cash burn, the Group has the flexibility to reduce discretionary capital expenditures in case of adverse market conditions.

The Group remains focused on diversifying its portfolio of assets and has been reviewing a number of early stage exploration license opportunities. No acquisition has been completed in 2022/2023 but we expect further developments on this front in 2023/2024.

## Business Activities

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

In 2020 the Group started its activities in the raw material sector and is in the early stage of exploration activities which continued through to mid 2023. 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.

## 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 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 pursues discussions with various potential partners that could participate in the development of its projects with carries and milestone-based earn-ins. This approach will contribute to SunMirror ability to diversify its portfolio of assets. 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 attractive prospects for the projects.

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 is furthermore on assets located in stable, low risk jurisdictions, e.g., Australia, Europe and possibly select African countries. By focusing on mineral assets in these more mature jurisdictions, management of SunMirror tries to avoid typical expropriation and political risk associated with mineral assets in more challenging countries.

## 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.

## 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 (E 45/5573) granted on 23 December 2020 for a term of five years for an area of approximately 93 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, except for a historic JORC-compliant resource on tin and tantalum published by a previous operator, LitheX Resources Limited. Nevertheless, the area is highly prospective for both lithium and tin, the latter of which was exploited in the 1890's.

  In November 2022, the company sought quotes from 3 airborne geophysical contractors to fly both the Moolyella and Kingston Keith Licences.

  On the 8th of December 2022, MagSpec mobilised an aircraft ot he Moolyella licence area to begin the survey, and on the 11th December 2022, the survey was completed. A total of 2,358 line kilometres were flown on a 50m line spacing. Following a period of QA/QC and data processing, the final report was delivered to SunMirror on the 9th January 2022.

The MagSpec Survey data was then sent for further reprocessing by a third party geophysical specialist, Southern Geoscience Consultants (SGC) to generate a 1: 20,000 scale litho-structural interpretation and target generation map for lithium within the licence area.

Southern Geoscience Consultants (SGC) is a specialist group of geoscientists focused on providing the highest quality integrated geophysical solutions in the resources industry.

SGC were engaged to reprocess the MagSpec data and carry out a full litho-structural interpretation of the licence area (by integrating all relevant geoscientific information as well as the reprocessed geophysics) to generate priority target areas for follow up field checking (in this case, soil sampling).

SGC's Final Report was delivered on 30th May 2023 highlighting numerous targets areas for follow up investigation.

In March 2023, SunMirror (through it's wholly-owned subsidiary Lithium 1 Pty Ltd) concluded a Heritage / Land Access Agreement with the Nyamal Aboriginal Corporation (the traditional landowners in the licence area), which paves the way for detailed physical on the ground exploration work.

At the beginning of June, Terra Search Pty Ltd (a mineral exploration services and geology company based in Perth, was engaged to collect up to 3,500 soil samples over the priority 1 target areas identified by SGC. The sampling work was completed by the end of July.

All samples are now at the Nagrom laboratory in Perth for lithium and lithium pathfinder analysis. Early results released so far show promising lithium targets some of which represent the extension into our licence of lithium-bearing structures from within adjacent competitor licence areas.

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- **Kingston Keith:** The Group holds an exploration license (E 53/1953) 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, lithium and potentially nickel. The property is an exploration project with no JORC-compliant mineral resources defined as yet.

In December 2022 the Company signed an agreement with MagSpec Airborne Surveys Pty Ltd to carry out an aeromagnetic and radiometric survey over the entire licence area. The survey began on the 12th January this year (2023) and was completed on the 16thJanuary.

In July this year, Southern Geoscience Consultants was also commissioned to re-process the MagSpec data and carry out a full structural study over the entire license area to delineate potential gold and lithium targets for further investigation (soil sampling).

The data from a forthcoming soil sampling program will then help to establish drill hole locations for a forthcoming drill campaign in the latter half of next year.

A geological database over the entire license area was purchased from SensOre (a specialist minerals targeting company optimizing discoveries through AI-enhance exploration) including a proprietary Artificial Intelligence (AI) Lithium Fertility Index study, which identified 3 'fertility' target areas within the middle part of the license.

Discussions were held with third parties with the intention to enter into a potential joint venture on Kingston-Keith, but these discussions have not yet led to a commercial agreement. We are also engaging g with other parties to develop potential areas of cooperation.

Negotiations on the terms and conditions for a Land Access / Heritage Agreement with the local Native Title Group in the Kingston Keith area are ongoing.

- **Cape Lambert:** The Group holds a royalty on future mine production from the MCC Australia Sanjin Mining Pty Ltd ("MCC")'s retention license (R 47/18) on their Cape Lambert magnetite project covering an area of approximatelt 84 square kilometers in the Cape Lambert region in Western Australia (and more broadly on the territory covered by defunct license E47/1462). This is a passive holding investment held by the Group.

  The Group does not expect any royalties from the project 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 Group may look at selling its royalty if approached by a third party offering a fair value.

  The maximum licence term for a retention licence is 10 years.

The Group assets of the company, located at Moolyella and Kingston Keith are at an exploration phase and do not produce any revenue for the time being. A pre-feasibility study was completed by MCC but has not yet been placed into production. The Group expects that production at MCC's Cape Lambert mine will not start in the short term.

An exploration budget for the fiscal year 2024 of roughly USD 1.1 million is estimated for the company's Australian projects. This amount is subject to continuous review by the Board and is dependent on positive results generated from ongoing exploration work.

# Acquisitions

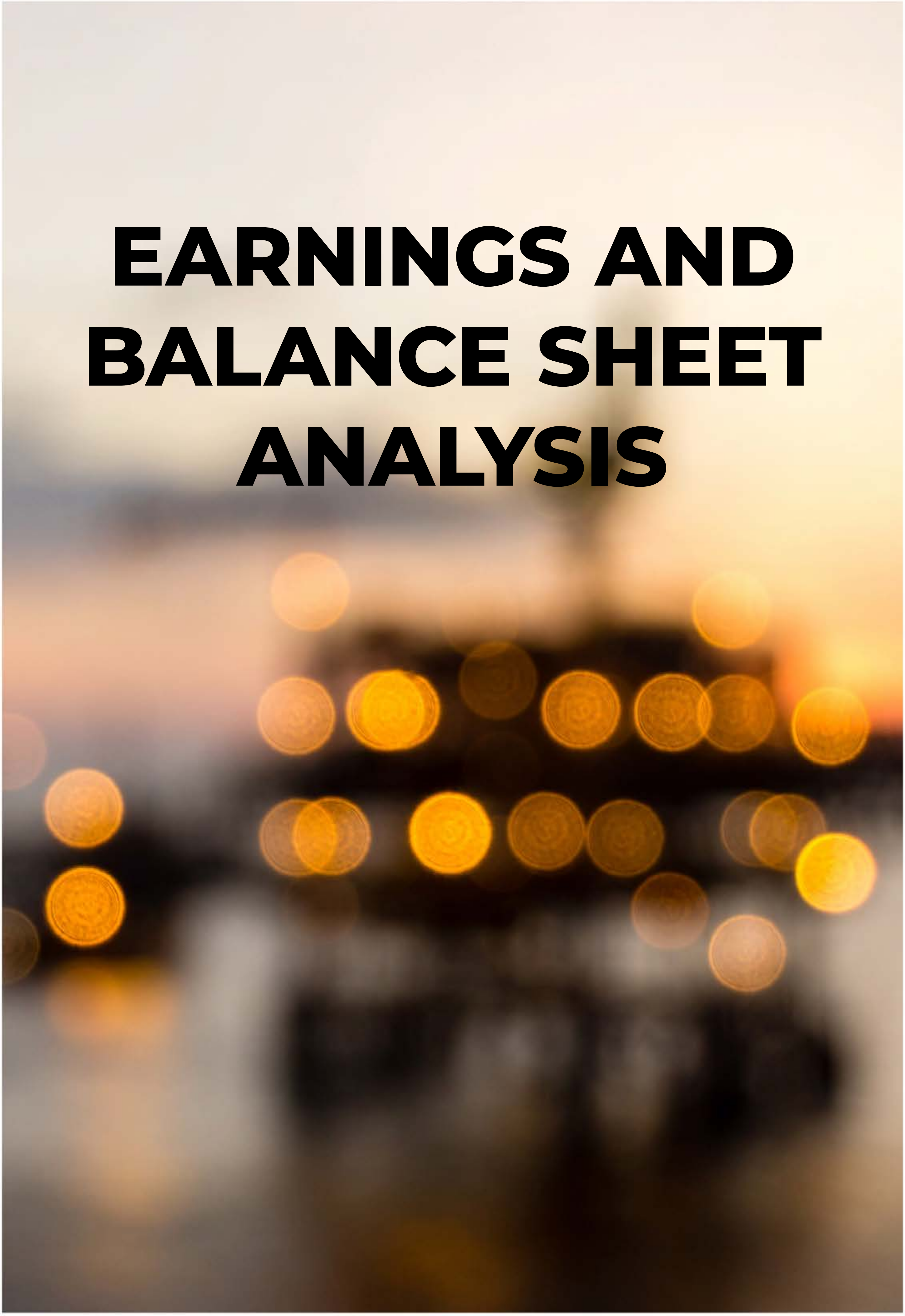
## LATITUDE 66 ACQUISITION

The bid of SunMirror Luxembourg published on 22 December 2021 to acquire all shares in Latitude 66 Cobalt Limited ended unsuccessfully on 12.07.2022, as the minimum acceptance condition (90% acceptance, by number, of all Lat66 shares) was not fulfilled at the end of the offer period. Until the very end of the Offer Period, SunMirror attempted to meet the agreed requirement to raise EUR 70 million of additional capital within the agreed and repeatedly extended timeframe. Unfortunately, this did not succeed because only part of the EUR 70 million subscribed as part of the capital increase was paid by the investor.

## OTHER ACQUISITIONS

The Group continues to be on the lookout of acquisition or partnership opportunities to complement its portfolio of assets in Australia with a focus on other developed countries and/or select African countries. Some discussions are taking place with companies looking to combine or sell assets.

# EARNINGS AND BALANCE SHEET ANALYSIS



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# EARNINGS AND BALANCE SHEET ANALYSIS

The statutory financial statements of SunMirror AG for the twelve months ended 30 June 2023 (reporting period or financial year 2023) have been prepared on a going concern basis in accordance with the provisions of the Swiss Code of Obligations (CO), commercial accounting and financial reporting (Art. 957 ff. CO).

## Revenue

SunMirror AG did not generate any revenues or receive any dividends from its subsidiaries in the reporting period 2023 or in the prior-year period 2022.

## Personnel expense

| | CHF | |
|---|---|---|
| | 2023 (12 months) | 2022 (12 months) |
| Wages and salaries | -772'236 | -737'643 |
| Social security | -36'935 | -64'538 |
| Pension plan | -11'632 | -21'569 |
| Other personnel expenses | -12'617 | -12'500 |
| Total | -833'420 | -836'250 |

Personnel expense remained virtually unchanged in the reporting year and amount to USD 0.9 million for 2023 (2022 USD 0.9 million) even if there have been significant personnel changes. The number of full-time equivalents (FTE) decreased slightly from an average of 3.3 FTE in the financial year 2022 to an average of 3.2 FTE in the financial year 2023.

Please note that in the Earnings and Balance Sheet Analysis and individual financial statements sections of this report the thousand separation is noted as an apostrophe instead of a comma.

## General and administrative expense

| | CHF | |
|---|---|---|
| | 2023 (12 months) | 2022 (12 months) |
| Rent | -4'472 | -38'768 |
| Maintenance, repairs, replacements | 0 | -1'025 |
| Insurances, duties, fees, permits | -34'163 | -27'472 |
| Energy and disposal | -644 | -555 |
| Administration and IT | -8'718 | -6'539 |
| Accounting and consolidation | -265'086 | -283'185 |
| Business consulting | -138'755 | -884'459 |
| Legal and tax consulting | -559'352 | -587'409 |
| Regulatory expenses | -197'444 | -487'461 |
| Board of Directors and General Meeting | -22'592 | -17'472 |
| Auditing fees | -337'867 | -564'102 |
| Advertising and Investor Relations | -241'681 | -444'561 |
| **Total** | -1'810'774 | -3'343'007 |

General and administrative expenses decreased by 45.8% (CHF -1.5 million) in the reporting period and amount to CHF 1.8 million in 2023 (2022: CHF 3.3 million).

With the failure of the Latitude 66 acquisition, the consulting contract with Opus Capital Switzerland AG (now Calym AG) was subsequently terminated. These measures led to an approximately 6-fold reduction in business consulting fees.

Following the listing on the Vienna Stock Exchange in the fall of 2021, regulatory and investor relations expenses in 2023 were also significantly lower than in 2022.

Legal and tax consulting costs were only reduced with some delay in the 2nd half of the financial year 2023 because some legal cases dragged on until the final court decisions were available.

Accounting, consolidation and auditing costs remain at a high level. These costs are due to the circumstances because the reporting requirements for a listed company are significantly higher than for an unlisted company or for a company listed on the Open Market.

# Depreciation and impairment losses

| | CHF | |
|---|---|---|
| | 2023 (12 months) | 2022 (12 months) |
| Impairment of financial assets | -1 | -3'144'164 |
| Amortization intangible assets | -2'392 | -4'386 |
| Total | -2'393 | -3'148'550 |

In the reporting period 2023 there were virtually no depreciation, amortization and impairment losses of financial assets. However, depreciation, amortization and impairment losses occurred in 2022 in the amount of CHF 3.1 million covering the exclusivity fee in connection with the failed acquisition of Latitude 66. The amortization of intangible assets is related to the purchased domains.

# Financial income

| | CHF | |
|---|---|---|
| | 2023 (12 months) | 2022 (12 months) |
| Interest income | 12'147 | 3'254 |
| Gains on marketable securities - realized | 40'186 | 0 |
| Gains on currency translation - realized | 602'522 | 777'221 |
| Gains on currency translation - unrealized | 3'897 | 3'066 |
| Total | 658'752 | 783'542 |

Financial income decreased by 15.9% (USD 0.1 million) in the reporting period and amounts to CHF 0.7 million for 2023 (2022 CHF 0.8 million). The financial income in the reporting period results primarily from gain on sales of Cadiz Inc. shares, gains on foreign currency transactions and financial liabilities as well as some interest income on a loan to shareholder and fixed deposits. All of Cadiz's shares were sold by 30 June 2023.

# Financial expenses

| | CHF | |
|---|---|---|
| | 2023 (12 months) | 2022 (12 months) |
| Interest | -178'978 | -466'737 |
| Bank fees | -29'771 | -46'224 |
| Losses on marketable securities - realized | 0 | -1'431'741 |
| Losses on marketable securities - unrealized | 0 | -289'902 |
| Losses on currency translation - realized | -163'536 | -674'271 |
| Losses on currency translation - unrealized | -318'767 | -340'401 |
| Other financial expenses | 0 | -1'951'431 |
| Total | -691'052 | -5'200'708 |

Financial expenses decreased by 86.7% (CHF 4.5 million) in the reporting period and amount to USD 0.7 million for 2023 (2022 USD 5.2 million). In addition to bank fees, financial expenses mainly result from the interest for the compulsory convertible notes and losses on foreign currency transactions as well as financial assets.

## Extraordinary, non-recurring or out-of-period income

In the reporting year 2023, SunMirror AG recognized out of period income in the total amount of CHF 0.4 million (2022: CHF 0.4 million). The majority of this income results from the reversal of trade and other payables. In principle, this relates to legal proceedings which were concluded with the competent courts in the reporting year 2023 The trade and other payables that have now been derecognized and the corresponding expenses were recognized in prior reporting periods. In addition, in the reporting period SunMirror received a small reimbursement from the social security authorities for the previous year.

## Direct taxes

SunMirror AG did not generate any taxable profits in the reporting period or in the prior-year period. The accumulated losses carried forward of CHF 14.4 million as of 30 June 2022 increased further to CHF 16.7 million as of 30 June 2023. SunMirror AG only paid capital taxes in the reporting period as well as in the previous year.

## Cashflow statement

As SunMirror (Group) has prepared its consolidated financial statements in accordance with IFRS as issued by the IASB, it does not prepare a cash flow statement in accordance with the law.

## Assets

| | CHF 30 June 2023 | CHF 30 June 2022 |
|---|---|---|
| Cash and cash equivalents | 3'560'617 | 10'133'285 |
| Marketable securities | 0 | 65'294 |
| Other current receivables | 7'975'153 | 8'113'172 |
| Prepaid expenses and accrued income | 39'060 | 47'248 |
| **Total current assets** | 11'574'830 | 18'358'999 |
| Financial assets | 709'458 | 516'208 |
| Participation | 1'175'000 | 1'175'000 |
| Intangible assets | 5'184 | 7'576 |
| **Total non-current assets** | 1'889'642 | 1'698'784 |
| **Total assets** | 13'464'472 | 20'057'783 |

Total assets decreased by 32.9% (CHF 6.6 million) to CHF 13.5 million as at end of June 2023 (June 2022: CHF 20.1 million).

Cash and cash equivalents decreased due to the repayment of the non-converted convertible bond, the reduction of current liabilities and the net loss for the year. Marketable securities included the remaining Cadiz shares, which were sold in full in the reporting year.

Other short-term receivables and con-current financial assets mainly reflect intercompany receivables from subsidiaries and a loan to shareholder. The participation shows the carrying amount of the direct investment in SunMirror Luxembourg S.A. The intangible assets include the residual carrying amount of the purchased domains.

# Liabilities

| | CHF | CHF |
|---|---|---|
| | 30 June 2023 | 30 June 2022 |
| Trade accounts payable | 67'412 | 849'790 |
| Interest bearing liabilities | 0 | 6'989'539 |
| Other current liabilities | 584 | 29'459 |
| Deferred income and accrued liabilities | 375'365 | 702'016 |
| **Total current liabilities** | 443'361 | 8'570'804 |
| Provisions | 6'855 | 0 |
| **Total non-current liabilities** | 6'855 | 0 |
| **Total liabilities** | 450'216 | 8'570'804 |

Total liabilities decreased by 94.7% (CHF 8.1 million) to CHF 0.5 million at the end of June 2023 (June 2022: CHF 8.6 million).

**Current liabilities**

The non-converted convertible bond in the amount of CHF 3.0 million was fully repaid in July 2022 and the compulsory convertible notes in the amount of CHF 4.0 million were converted into equity in December 2022. The Company has been in a dispute with the holders of the former 52'534 mandatory convertible notes ISIN CH1142529093, which were issued in December 2021 and were automatically converted into SunMirror shares on 20 December 2022 at a price of EUR 75 per share. The noteholders have disputed the conversion of their notes. The Company considers that the notes were rightfully converted to shares and fundamentally disagrees with the noteholder's allegations. On this basis and given the current facts, the Company is of the opinion that the claims are unfounded and does not recognize any provision or contingent liabilities in connection with this dispute. At a conciliation hearing in March 2023, no settlement was reached. Following such conciliation hearing the noteholders failed to file a claim in Swiss courts within the applicable deadline. In order to file a claim, the noteholders would have to start the process again and request a new conciliation meeting.

As part of the efforts to reduce general and administrative expenses, trade and other other payables were also substantially reduced at end of June 2023 compared to end of June 2022. Other non-financial liabilities contain capital tax accruals (June 2023 and June 2022).

**Non-current liabilities**

In May 2023, the Board of Directors of SunMirror AG introduced a stock option plan. Certain members of the management and selected key employees are eligible to participate in the plan (participants).

Generally, awards are made over a three-year service period. The vested options may subsequently be exercised over a period of 10 years. One option entitles the holder to subscribe one share of SunMirror AG or a corresponding compensation in cash. The related expense is recognized over the service period in personnel expenses and the cumulative liabilities are recognized as non-current provision.

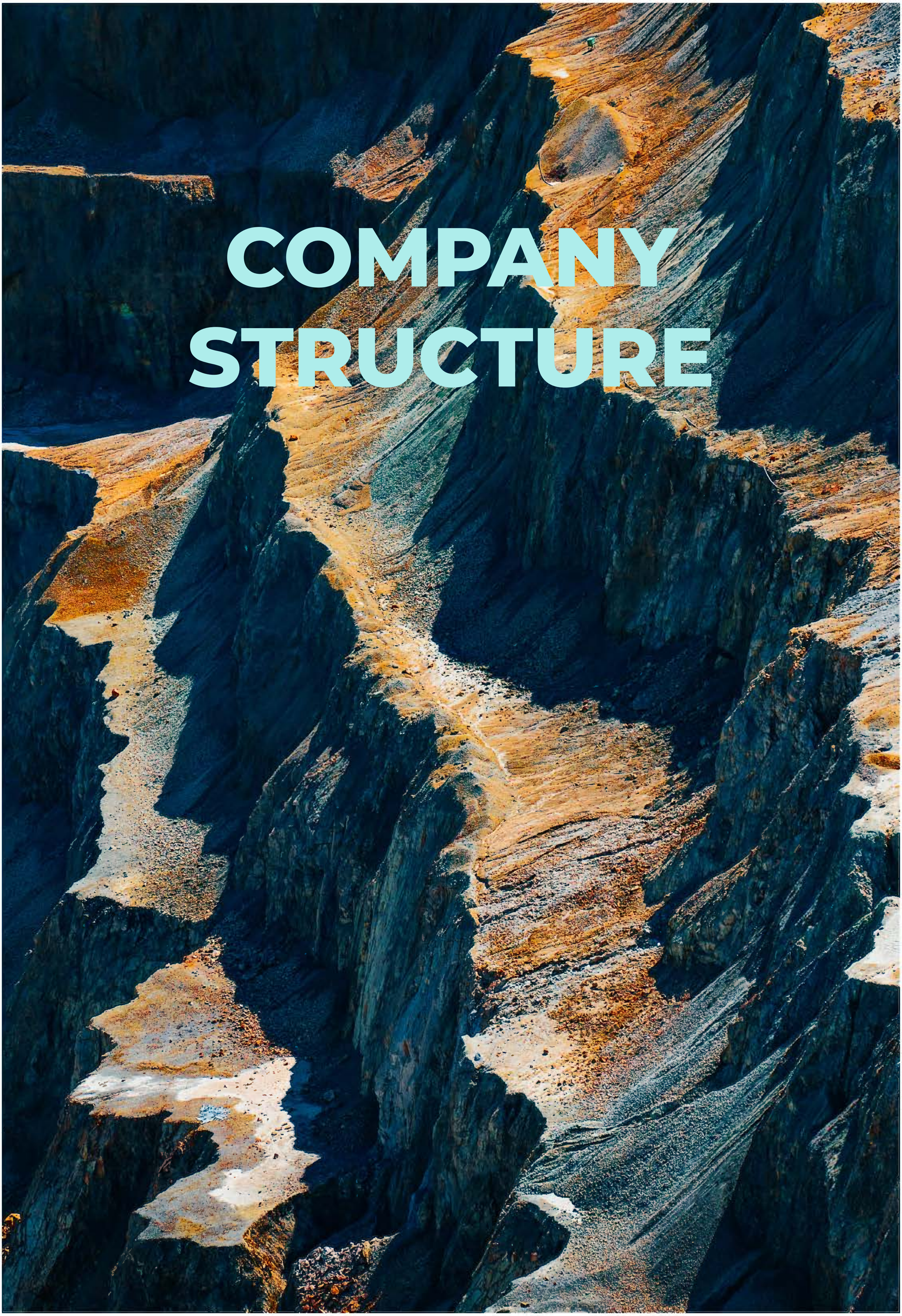
# Equity

| Total equity | CHF | |
|---|---|---|
| | 30 June 2023 | 30 June 2022 |
| Share capital - opening balance | 2'343'221 | 2'000'000 |
| Capital increase through conversion of convertible notes/ bonds from conditional capital, established on 29.12.2020 | 52'534 | 95'100 |
| Capital increase in cash from authorized capital, established on 31.08.2020 and on 29.12.2020 | 0 | 248'121 |
| **Total Share capital** | 2'395'755 | 2'343'221 |
| Number of bearer shares at a nominal value of CHF 1.00 per share issued at end of period: | 2'395'755 | 2'343'221 |
| **Statutory capital reserve** | | |
| Capital contribution reserve - opening balance | 23'539'911 | 0 |
| Capital increase through conversion of convertible notes/ bonds from conditional capital, established on 29.12.2020 | 3'803'820 | 6'027'676 |
| Capital increase in cash from authorized capital, established on 31.08.2020 and on 29.12.2020 | 0 | 17'512'235 |
| **Total Statutory capital reserve** | 27'343'731 | 23'539'911 |
| **Statutory retained earnings** | | |
| General statutory reserve | 92 | 92 |
| **Total Statutory retained earnings** | 92 | 92 |
| **Accumulated losses** | | |
| Loss carried forward | -14'396'245 | -3'072'188 |
| Loss for the year | -2'329'077 | -11'324'058 |
| **Total Accumulated losses** | -16'725'322 | -14'396'245 |
| **Total equity** | 13'014'256 | 11'486'979 |

Shareholders' equity increased by 13.3% (CHF 1.5 million) to USD 13.0 million at the end of June 2023 (June 2022: USD 11.5 million). At the end of June 2023, the Company had an equity to asset ratio of 96.7% (June 2022: 57.3%).

In December 2022 SunMirror AG carried out a capital increase amounting to CHF 3.9 million and 52'534 shares were issued at a price of EUR 75 per share. This capital increase resulted from the conversion of issued compulsory convertible notes.

# COMPANY STRUCTURE



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# COMPANY STRUCTURE

## Registered Office, Financial Year, duration of the Company, Corporate Purpose

SunMirror AG is a stock corporation (Aktiengesellschaft) incorporated and operating under Swiss law. Its registered office is in Zug, Switzerland and it is registered with the commercial register office of the canton of Zug under CHE 395.708.464. The Company's address is General-Guisan-Strasse 6, 6300 Zug, Switzerland (before: Steinhauserstrasse 74, Zug, Switzerland), telephone number +41 43 505 14 00. The Company's website is www.sunmirror.com.

The Company's legal name is "SunMirror AG". The Company and its subsidiaries operate on the market under the commercial name "SunMirror". The Company is established for an unlimited period of time. The Company's legal entity identifier (LEI) is 894500R3EZWT4CYDM933. The financial year of the Company runs from 1 July of a calendar year until 30 June of the next calendar year.

According to Article 2 of the Company's Articles of Association, the statutory purpose of the Company is to promote the long-term value of the subsidiaries, affiliated companies or participation through uniform administration and centralized services and to provide the associated financing. In addition, the Company may buy, sell, broker, manage and exploit real estate, securities, participations and intellectual property rights, establish subsidiaries and branches in Switzerland and abroad and carry out all commercial activities related to the purpose of the Company.

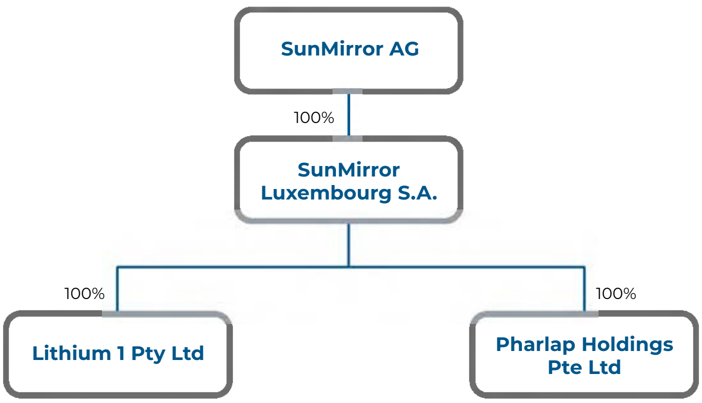
# The Creation and Historical Development of the Company

The Company was first incorporated under the name Dynastar AG on 24 September 2014 with its registered office in Erlenbach ZH, Switzerland, and was registered with the commercial register office of the Canton of Zurich under CHE-395.708.464.

In 2018, the Company's shares were admitted to listing on the regulated unofficial market segment (Freiverkehr) of Düsseldorf Stock Exchange (Börse Düsseldorf).

On 31 August 2020 the Company's general meeting resolved to acquire all shares of Couno Resources S.A. (today, SunMirror Luxembourg S.A. – "SunMirror Luxembourg") by means of a contribution in kind, to change the Company's name to SunMirror AG and to move its registered office from the Canton of Zurich to the Canton of Zug. The acquisition of SunMirror Luxembourg was completed on 7 September 2020.

Thereby, also the subsidiaries of SunMirror Luxembourg, Lithium 1, and Pharlap, became part of the Group, resulting in the following structure:




SunMirror Luxembourg acquired all shares of Lithium 1 by means of a share purchase agreement dated 14 February 2020. Lithium 1 is an Australian company which holds exploration licenses for the tenements Moolyella (Lithium) and Kingston-Keith (Gold and Nickel), both located in Western Australia.

SunMirror Luxembourg acquired all shares of Pharlap by means of a share purchase agreement dated 12 August 2020, amended on 18 December 2020. Pharlap is a Singapore company whose main asset is composed of a royalty agreement relating to future royalties payable in relation to the Cape Lambert magnetite project.

On 30 November 2020, the Shares were included for trading on the Vienna MTF (market segment direct market) of Vienna Stock Exchange (Wiener Börse).

On 26 November 2021, the Listed Shares were admitted to trading on the Official Market (Amtlicher Handel) of the Vienna Stock Exchange (Wiener Börse), a regulated market pursuant to Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as amended (Markets in Financial Instruments Directive II – "MiFID II").

# Significant Subsidiaries

The significant subsidiaries of the Company are (i) SunMirror Luxembourg S.A., incorporated in Luxembourg, (ii) Lithium 1 Pty Ltd, incorporated in Australia, and (iii) Pharlap Holdings Pte Ltd, incorporated in Singapore. The Company holds, directly or indirectly, 100% of all shares and all votes in each such company.

# RISK REPORT

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# RISK REPORT

## Business related risk factors

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.

No asset of the Group is expected to generate revenues in the short term.

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.

In addition, the Group owns via its Pharlap Holdings subsidiary a royalty (the "Royalty Asset") on the Cape Lambert Iron Ore Project owned by MCC. The Royalty Asset is linked to a retention license and associated revenues rely on the commencement date of the mining operations, which is currently not yet set. Such date is dependent on many factors that are not in control of the Group, including but not limited to commodity prices, MCC business strategy and credit quality, regulation in Western Australia, global macroeconomic dynamics, etc.

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.

# Commodity 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 iron ore, 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 exploration and evaluation activities as well as potential acquisitions. 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, lower market prices for certain minerals could result in SunMirror Group's outlook being less attractive to potential capital providers. A lack of access to capital could restrict SunMirror's ability to finance development of its business. It could also impact the prospects of SunMirror's royalty asset held at Pharlap.

# Regulatory Risk factors

The parent company SunMirror AG issues bearer shares instead of registered shares, which is still feasible for publicly listed companies in Switzerland. However, with the global tendency towards issuing registered shares bearer shares may restrict the Group's access to capital in the future.

MCC successfully got the extension of its retention license to March 2025 approved by Western Australia's department of mines but further extensions could be refused in due course, which could have an impact on the prospect of SunMirror's royalty held at its Pharlap subsidiary to produce any revenues in the future.

New environmental regulations might create additional requirements on mining developments and fossil fuel usage that may have an impact on the future Company's results of operations and financial conditions and particularly its exploration costs. Regulations on fossil fuel usage would also likely create opportunities given the Company's focus on battery metals resources.

In Western Australia, registered Native Title claimants and determined Native Title holders have certain rights under the provisions of the Native Title Act 1993 (Cth) (NTA) future act regime, when governments intend to conduct business such as the granting of mineral tenure that are future acts under the NTA.

The State Government has a policy whereby applicants for exploration licences and prospecting licences will have to sign and offer a Regional Standard Heritage Agreement (RSHA) or prove they have an existing Alternative Heritage Agreement in place. This must happen before the applications will be submitted to the NTA Expedited Procedure (Kimberley Region excluded).

The RSHAs provide Aboriginal heritage protection and offer all parties with standard fees and procedures for heritage clearances that are at an acceptable standard to industry.

Parts of the Moolyella and Kingston Keith exploration licences are covered by heritage claims and the company is in close dialogue with the aboriginal groups concerned. An RSHA has been concluded with the local Native Title Group covering the Moolyella licence area, and a Land Access and Mineral Exploration Agreement is currently being negotiated with the relevant Native Title Group in the Kingston Keith licence area (Tjiwarl Aboriginal Corporation).

New laws designed to avoid a repeat of the destruction of an ancient Indigenous site by resources giant Rio Tinto were introduced by the Government of Western Australia when it released the Aboriginal Cultural Heritage Act 2021 (WA), which came into force on the 1st July this year.

The new Act, which was to replace the Aboriginal Heritage Act 1972 (WA) proved hugely controversial and on the 8th August this year, just weeks after being introduced, the WA Premier announced the repeal of the new Aboriginal Cultural Heritage Act 2021 (WA) and a return to the original Aboriginal Heritage Act 1972 (WA). As such it is business as normal for the Groups projects in Australia.

## Impact of Covid-19

With the Covid-19 pandemic now fully under control, there is no impact on the Group's activity. The progressive lifting of restrictions in China, the last major country with severe regulations linked to the Covid-19 pandemic, is expected to result in an even more acute need for battery metals.

## Legal risks

The SunMirror Group is exposed to legal risks through its business and financing activities. The Sunmirror Group enters into contracts with suppliers, contractors, and other counterparties that may give rise to disputes and claims. The Group may also have claims against counterparties that it may decide to pursue and that may give rise to significant legal costs before a successful outcome, if any, were to occur. The Group has in-house expertise to handle such risks with the assistance of a number of outside legal advisors in the various jurisdictions where it operates or has business relationships. The Group also carefully monitors its own compliance with legal agreements to minimise the risk of legal disputes in the future.

The Company has been in a dispute with the holders of the former 52'534 mandatory convertible notes ISIN CH1142529093, which were issued in December 2021 and were automatically converted into SunMirror shares on 20 December 2022 at a price of EUR 75 per share. The noteholders have disputed the conversion of their notes. The Company considers that the notes were rightfully converted to shares and fundamentally disagrees with the noteholder's allegations. On this basis and given the current facts, the Company is of the opinion that the claims are unfounded and does not recognize any provision or contingent liabilities in connection with this dispute. At a conciliation hearing in March 2023, no settlement was reached. Following such conciliation hearing the noteholders failed to file a claim in Swiss courts within the applicable deadline. In order to file a claim, the noteholders would have to start the process again and request a new conciliation meeting.

*Source: https://www.dmp.wa.gov.au/Minerals/Native-Title-Act-Process-5548.aspx*

# Impact of inflation, the increase in interest rates, and potential risk of global recession

The significant increase in inflation globally could put pressure on the Group's costs. Fortunately, the Group has limited exposure to inflation as most of its costs are contracted under medium to long term contracts. The Group has limited exposure to materials and energy costs in its exploration activities but wage inflation and the scarcity of human resources in the space could lead to cost increases.

Further, central banks globally are fighting inflation with steep increases in interest rates. This could result in scarcer and/or more expensive access to capital which could in turn result in acquisitions and capex activities being more challenging to complete.

Finally, the increase in interest rate is likely going to dampen global economic growth in the medium term. This could result in reduced demand for the commodities that the Group looks to produce. However, production will occur in a longer timeframe.

Separately, recession could impact MCC's plans to develop the Cape Lambert Iron Ore Project, which would postpone the date by which the Royalty Asset could produce revenues.

# ACCOUNTING, CONTROL AND RISK MANAGEMENT PROCESS

Corporate Accounting comprises those activities that are necessary to prepare financial statements and consolidated financial statements in compliance with the law and IFRS.

## STRUCTURE OF ACCOUNTING

The accounting function in the SunMirror Group comprises the accounting departments at local companies and the Corporate Accounting department in Zurich. The local companies draw up financial statements in accordance with local law based on local accounting software. The financial statements are submitted quarterly to Corporate Accounting in Zurich for final clarification and review. The reconciliation of local financial statements to uniform IFRS accounting and valuation principles are performed by the Corporate Accounting departement in corporation with the consolidation service provider.

## CONSOLIDATION

The IFRS financial statements are drawn up in accordance with IFRS accounting and valuation principals as issued by the International Accounting Standards Board (IASB). Local financial reporting data are checked manually by Corporate Accounting (mainly plausibility checks, intercompany reconciliation and reconciliation of financial statements according to local GAAP into IFRS-compliant accounting and valuation). During this process, Corporate Accounting works closely with the consolidation service provider. Consolidation work is done twice a year (annual group financial statements at June 30 and interim condensed group financial statements at December 31).

The overall consolidation process includes checking the consistency of the data transmitted and plausibilisation of the financial statements as a whole. The consolidation is prepared by using a certified professional consolidation software.

To ensure correct and timely completion of the annual report by the publication date, deadlines are set for both the half-year (interim) and the annual financial statements. The entire accounting function is notified of these in good time. In addition to the annual report at the end of each financial year, a halfyear interim report is published in accordance with IAS 34.

## CONTROLS

The accounting function reports to the Chief Financial Officer (CFO). Regular reports to the Board of Directors contain information on the asset capex programmes, expense outlook, potential legal challenges, and opportunities and risks. This ensures ongoing oversight of the internal control system. Existing and potential risks are constantly monitored. This is based on uniform risk guidelines. The management is responsible for implementing these guidelines and ensuring they are observed.

In the SunMirror Group, the annual audit schedule is determined by the Board of Directors on the basis of a proposal by the Corporate Accounting department. Focal areas are examining the effectiveness of the internal control system, compliance with the applicable Reporting Standards and other compliance requirements. The results of audits are presented on a case-by-case basis as they arise to the Board of Directors.

# DISCLOSURES IN ACCORDANCE WITH 243A (1) UGB

## SHARE CAPITAL

The share capital of SunMirror AG was CHF 2'395'755.00 as at 30 June 2023 and was divided into 2'395'755 bearer shares with a par value of CHF 1.00 per share each, which are fully-paid in. All shares are equal in terms of their dividend and voting rights.

In the financial year 2023, SunMirror AG carried out a capital increase. In a private placement with institutional investors, SunMirror AG placed Compulsory Convertible Notes on 20 December 2021. The issued notes were automatically converted into 52'534 bearer shares of SunMirror AG one year later (20 December 2022). With the declaratory resolution of the Board of Directors, this capital increase was publicly notarized on 23 December 2022. These shares shall be admitted for trading on the Vienna Stock Exchange in due course.

## AUTHORISED CAPITAL

The Board of Directors was authorized, at any time until 29th of December 2022 to increase the share capital by a maximum amount CHF 751'879.00 by issuing a maximum of 751'879 bearer shares with a nominal value of CHF 1.00 each, to be fully paid up. This amount of authorized capital expired on 29th of December 2022.

The Board of Directors is authorised to exclude the subscription right of existing shareholders for important reasons and to allocate it to third parties. Important reasons are in particular the participation of employees, mergers, the financing of the company, financing and refinancing of takeovers, contributions in kind as well as placement of the shares on national or international stock exchanges. The Board of Directors may also exclude the subscription right if the new shares to be created are issued in connection with i) a public placement or ii) a private placement to broaden the base of qualified shareholders within the meaning of the Federal Act on Collective Investment Schemes. Shares for which subscription rights are granted but not exercised must be used by the Board of Directors in the interest of the Company. The Board is authorised to determine the issue price of the shares, the type of contribution, the allocation to new shareholders and the date of dividend entitlement.

## CONDITIONAL CAPITAL AND CONVERTIBLE NOTES

As of 1 July 2022, the conditional capital of the company stood at CHF 904'900.00.

According to Article 3b of the Articles of Association at the opening of FY 2023 : "The share capital shall be increased, excluding shareholders" subscription rights, by a maximum of 904'900 bearer shares by issuing a maximum of 904'900 bearer shares with a nominal value of CHF 1.00 each, to be fully paid up, through the exercise of conversion and option rights granted to creditors of new bonds or similar debt instruments issued by the Company under one or more participation plans to be established by the Board of Directors. The Board of Directors shall determine the details of the terms of issuance."

Of the 904'900 bearer shares of the conditional capital, 52'534 shares were allocated to the Compulsory Convertible Notes with ISIN CH1142529093, which were automatically converted in shares on 20th December 2022. The conversion of these 52'534 notes resulted in a reduction of the conditional capital by the same amount to CHF 852'366.00 effective on 23 December 2022 as per the updated Articles of Association. These shares shall be admitted for trading at the Vienna Stock Exchange in due course.

# OTHER INFORMATION

1. As of 30th June 2023, SunMirror AG has a direct stake of 100.0% in SunMirror Luxembourg S.A. and is thus the indirect sole shareholder of Lithium 1 Pty Ltd (Lithium 1). As announced in the Company's ad hoc news dated 1st August 2022, the Company temporarily lost control over Lithium 1. The control was regained on 2nd August 2022, and re-established the 100% ownership of Lithium 1 Pty Ltd by SunMirror Luxembourg S.A.

2. According to Article 16 of the Articles of Association: "The Board of Directors is composed of one or several members, who are elected by the General Meeting of Shareholders for a term of one year and who may be re-elected. The term of office ends on the day when the ordinary Meeting of Sahreholders is held. In case of by-elections, the new memebrs of the Board of Directors shall complete their predecessors' term of office."

3. There are no financing agreements nor customer contracts containing any customary agreements on a change of control in the event of a takeover within the meaning of Section 243a (1) No. 8 UGB.

4. There are no compensation agreements within the meaning of Section 243a (1) No. 9 UGB.

5. In May 2023, the Board of Directors of SunMirror AG introduced a stock option plan. Certain members of the management and selected key employees are eligible to participate in the plan (participants). This stock option plan establishes a framework to provide participants with long-term incentives and to better align their interests with the interests of shareholders and the prosperity of the Company. The stock option plan is classified as cash settled. However, the Company has the right to settle either in cash or equity at its sole discretion. The stock option plan may be amended from time to time and is a discretionary incentive plan for employee retention and motivation.

   Awards are made on the recommendation of the Remuneration Committee based on participant performance and employment conditions and are approved by the Board of Directors. The individual terms and conditions applicable to each participant in connection with each stock option award, in addition to the general provisions of this plan, are subject to a separate award agreement.

   Generally, awards are made over a three-year service period. The vested options may subsequently be exercised over a period of 10 years. One option entitles the holder to subscribe one share of SunMirror AG or a corresponding compensation in cash. The exercise prices of the options are calculated by reference to share price historical averages. Upon termination of employment, unvested options may or may not be cancelled depending on the circumstances. The related expense is recognized as personnel expense over the service period and the cumulative liabilities are recognized as non-current provision.

   Until 30 June 2023, a total of 17'968 stock options with an average exercise price of EUR 7.00 per share have been granted, of which 8'984 have legally vested as of the reporting date and 10'806 were recognised as compensation expense in the current financial year.

# OUTLOOK AND IMPORTANT EVENTS

# CONTENT

# Important events since the end of the last business year

The Austrian Financial Reporting Enforcement Panel (AFREP) has audited our financial reporting and the annual financial statements for 2021 and 2022. The audit started in December 2022 and the results were communicated in October 2023. In this letter dated 9 October 2023, AFREP concluded that our accounting was incorrect. AFREP confirms the classification of the Royalty on Cape Lambert as an intangible asset, but concludes in the subsequent measurement that the impairment test should have been performed annually according to the provisions of IAS 36.10 lit. a. In summary, AFREP is of the opinion that the Royalty on Cape Lambert cannot be regarded as an asset in accordance with IFRS 6.

Following thorough consultation with our advisors, the Board of Directors of SunMirror does not share AFREP's assessment and has therefore disagreed with the audit findings. A valuation of the Royalty on Cape Lambert prepared in the meantime by an external expert concludes that, based on the assumptions made, the current value of the Royalty supports the carrying amount. Thus, regardless of the impairment assessment, there is no deviation in the subsequent measurement under either IAS 36 (AFREP perspective) or IFRS 6 (SunMirror perspective). The proceedings have now been forwarded by AFREP to the Austrian Financial Market Authority (FMA), which will form an independent opinion on this matter. The proceedings had not been concluded at the time the management report were prepared.

Irrespective of the FMA's decision, the Board of Directors does not expect any impact on the figures published in this management report.

# Outlook for the coming business year

After this year of transition, taking advantage of the new foundations for the Group, SunMirror continues to be focused on reducing overheads and expenses wherever possible and investing available funds primarily in the development of value-added resource projects. Thus, SunMirror is planning to further progress the Moolyella lithium project, where a soil sampling program was completed a few weeks ago. The Moolyella license is very promising for the occurrence of lithium-bearing pegmatites and results from soil sampling have clearly identified distinct patterns in lithium grades within the license, which appear to outline potential underground mineralized structures, some of which are very likely to be the continuations of structures discovered by our peers in neighboring tenements. These results lay the foundations for a reverse-circulation drill program of up to 5,000 metres, which we anticipate starting sometime in Q2 2024 after heritage consultation with the local Nyamal population and regulatory approvals are completed. At our Kingston Keith license, progress made is also promising with AI modeling work, which the Company has purchased and has identified the tenement to be prospective for lithium. In combination with the most recent interpretation of the aeromagnetic survey, the Company has laid the ground for further exploration work to investigate both gold/nickel and lithium potential .But the first step is to complete a land access agreement with the local Tjiwarl Aboriginal Corporation, which is the pre-requesite for any on ground work, including soil sampling.

As previously mentioned, in addition to these strategic projects, additional assets can be acquired and be brought into the company to increase the portfolio diversification and the value of the company. Battery metal mining assets in Europe and Australia are currently being reviewed and considered for acquisition while some divestitures of non-core assets continue to be considered.

We continue to believe that the portfolio of assets currently held at SunMirror is ideally positioned to benefit from a significant global flow of capital and supportive regulation underpinning the global efforts of decarbonisation and the push towards electrification.

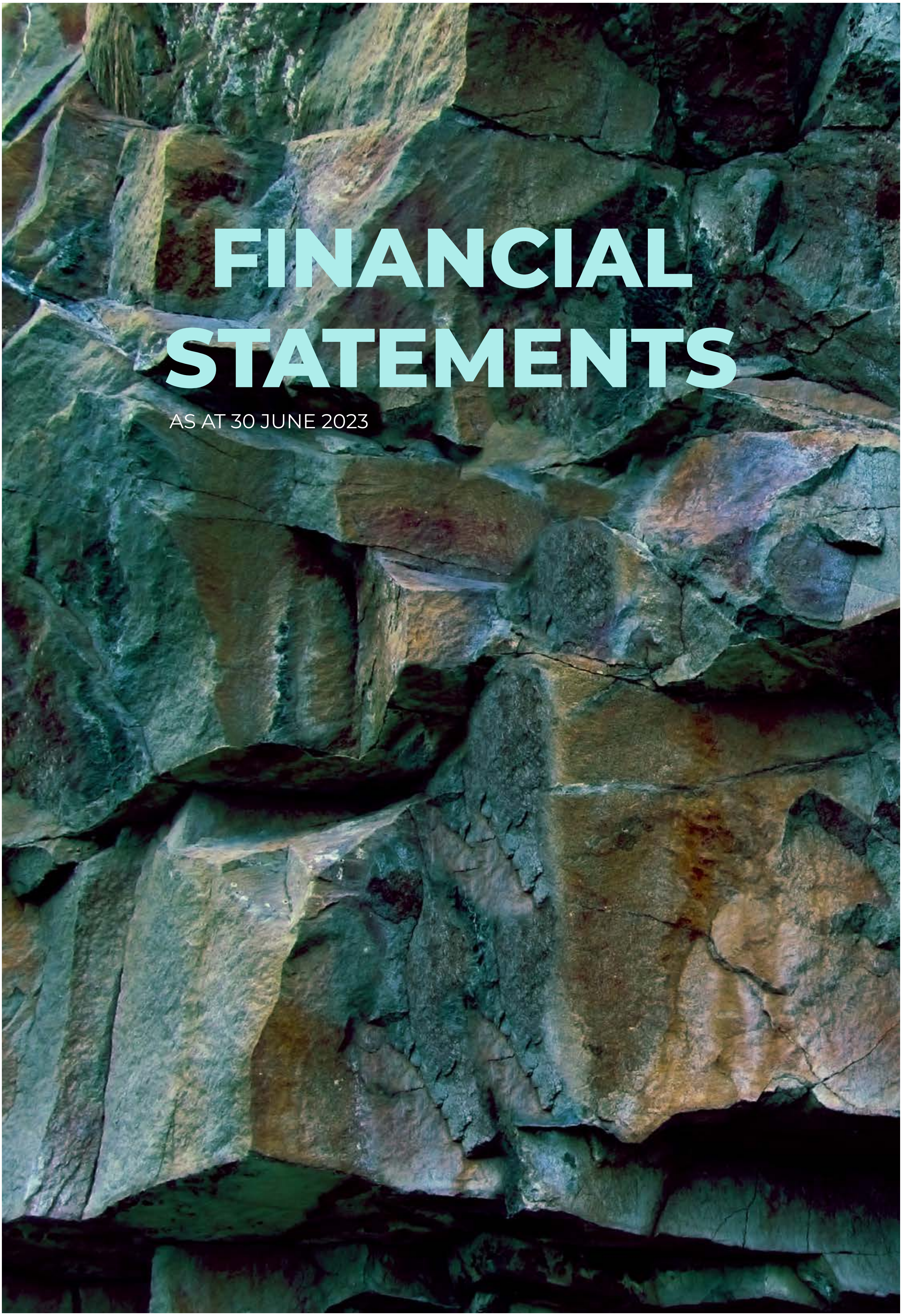
Zug, 20 November 2023

Laurent Quelin e.h.
Chairman

Daniel Monks e.h.
Board member

# FINANCIAL STATEMENTS

AS AT 30 JUNE 2023



# CONTENT

# FINANCIAL STATEMENTS

## STATEMENT OF FINANCIAL POSITION

| | Notes | CHF<br>30 June 2023 | CHF<br>30 June 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 1 | 3'560'617 | 10'133'285 |
| Marketable securities | 2 | 0 | 65'294 |
| Other current receivables | 3 | 7'975'153 | 8'113'172 |
| Prepaid expenses and accrued income | 4 | 39'060 | 47'248 |
| **Total current assets** | | **11'574'830** | **18'358'999** |
| Financial assets | 5 | 709'458 | 516'208 |
| Participations | 6 | 1'175'000 | 1'175'000 |
| Intangible assets | 7 | 5'184 | 7'576 |
| **Total non-current assets** | | **1'889'642** | **1'698'784** |
| **Total assets** | | **13'464'472** | **20'057'783** |
| **EQUITY AND LIABILITIES** | | | |
| Trade accounts payable | 8 | 67'412 | 849'790 |
| Interest bearing liabilities | 9 | 0 | 6'989'539 |
| Other current liabilities | 10 | 584 | 29'459 |
| Deferred income and accrued liabilities | 12 | 375'365 | 702'016 |
| **Total current liabilities** | | **443'361** | **8'570'804** |
| Provisions | 11 | 6'855 | 0 |
| **Total non-current liabilities** | | **6'855** | **0** |
| **Total liabilities** | | **450'216** | **8'570'804** |
| Share capital | | 2'395'755 | 2'343'221 |
| Statutory capital reserve | | 27'343'731 | 23'539'911 |
| Statutory retained earnings | | 92 | 92 |
| **Accumulated losses** | | | |
| Loss carried forward | | -14'396'245 | -3'072'188 |
| Loss for the year | | -2'329'077 | -11'324'058 |
| **Total equity** | 13 | **13'014'256** | **11'486'979** |
| **Total equity and liabilities** | | **13'464'472** | **20'057'783** |

Please note that in the Earnings and Balance Sheet Analysis and individual financial statements sections of this report the thousand separation is noted as an apostrophe instead of a comma.

# STATEMENT OF PROFIT AND LOSS

| | Notes | CHF<br>2023<br>(12 months) | CHF<br>2022<br>(12 months) |
|---|---|---|---|
| Personnel expenses | 14 | -833'420 | -836'250 |
| Other operating expenses | 15 | -1'810'774 | -3'343'007 |
| **Operating loss before interest, tax, depreciation and amortisation (EBITDA)** | | **-2'644'194** | **-4'179'257** |
| Depreciation, amortization and impairment of non-current assets | 16 | -2'393 | -3'148'550 |
| **Operating loss before interest and taxes (EBIT)** | | **-2'646'587** | **-7'327'807** |
| Financial income | 17 | 658'752 | 783'542 |
| Financial expenses | 18 | -691'052 | -5'200'708 |
| **Operating loss before taxes (EBT)** | | **-2'678'887** | **-11'744'974** |
| Extraordinary, non-recurring or income relating to other periods | 19 | 360'631 | 422'866 |
| **Loss for the year before taxes** | | **-2'318'256** | **-11'322'108** |
| Direct taxes | 20 | -10'821 | -1'950 |
| **Loss for the year** | | **-2'329'077** | **-11'324'058** |

# NOTES TO THE FINANCIAL STATEMENTS

## GENERAL INFORMATION

**COMPANY NAME, REGISTERED OFFICE AND LEGAL FORM**

Company name and registered office:
SunMirror AG, Zug, Switzerland

| | |
|---|---|
| UID: | CHE-395.708.464 |
| Legal form: | Aktiengesellschaft (AG) |

## SIGNIFICANT ACCOUNTING POLICES

### Basis of preparation

These financial statements have been prepared in accordance with the provisions of the Swiss Code of Obligations (CO), commercial accounting and financial reporting (Art. 957 ff. CO). Disclosures on the principles and accounting options applied, unless they are required by law.

The financial statements are prepared on a going concern basis at cost and are presented in Swiss francs (CHF).

### Valuation at market values

As an exception to the basis of preparation, marketable securities held on a short-term basis are valued at the quoted market price and foreign currency rate provided by the relevant bank. Unrealized gains and losses related to marketable securities are recorded in the statement of profit and loss for the period.

### Presentation of the statement of profit and loss

The statement of profit and loss is presented in accordance with the nature of expense method.

### Share based payments

In May 2023, the Board of Directors of SunMirror AG introduced a stock option plan. Certain members of the management and selected key employees are eligible to participate in the plan (participants). This stock option plan establishes a framework to provide participants with long-term incentives and to better align their interests with the interests of shareholders and the prosperity of the Company. The stock option plan is classified as cash settled. However, the Company has the right to settle either in cash or equity at its sole discretion. The stock option plan may be amended from time to time and is a discretionary incentive plan for employee retention and motivation.

Awards are made on the recommendation of the Remuneration Committee based on participant performance and employment conditions and are approved by the Board of Directors. The individual terms and conditions applicable to each participant in connection with each stock option award, in addition to the general provisions of this plan, are subject to a separate award agreement.

Generally, awards are made over a three-year service period. The vested options may subsequently be exercised over a period of 10 years. One option entitles the holder to subscribe one share of SunMirror AG or a corresponding compensation in cash. The exercise prices of the options are calculated by reference to share price historical averages. Upon termination of employment, unvested options may or may not be cancelled depending on the circumstances. The related expense is recognized as personnel expense over the service period and the cumulative liabilities are recognized as non-current provision.

### Foregoing a cash flow statement and additional disclosures in the notes

As SunMirror AG (Group) has prepared its consolidated financial statements in accordance with IFRS as issued by the IASB, it has decided to forego presenting additional information on interest-bearing liabilities and audit fees in the notes as well as a cash flow statement in accordance with the law.

### Currency and roundings

Foreign currency items in current assets and current non-interest-bearing liabilities are measured at the closing rate. Corresponding gains and losses are recognized in the income statement for the period. Non-current assets, interest-bearing liabilities and non-current liabilities are valued at the historical exchange rate, except where this would result in overvaluations of assets or undervaluations of liabilities. Foreign currency transactions in the income statement are recorded at the exchange rates prevailing on the date of the transaction.

Individual figures in the annual financial statements are rounded. In tables, such commercially rounded figures may not add up exactly to the respective totals also shown in the tables.

# DISCLOSURES ON THE ITEMS OF THE BALANCE SHEET AND INCOME STATEMENT

| 1 | **Cash and cash equivalents** | CHF | |
|---|---|---|---|
| | | 30 June 2023 | 30 June 2022 |
| | Cash in bank | 3'560'617 | 10'133'285 |
| | **Total** | **3'560'617** | **10'133'285** |

| 2 | **Marketable securities** | CHF | |
|---|---|---|---|
| | | 30 June 2023 | 30 June 2022 |
| | Securities at market price | 0 | 65'294 |
| | **Total** | **0** | **65'294** |

Previous year: Securities at market price contain short-term investments in shares of a publicly listed company.

| 3 | **Other current receivables** | CHF | |
|---|---|---|---|
| | | 30 June 2023 | 30 June 2022 |
| | Participations (direct or indirect) | 7'577'434 | 7'724'869 |
| | Shareholders (direct or indirect) | 297'758 | 329'168 |
| | Government agencies | 12'658 | 43'266 |
| | Social securities | 1'038 | 5'785 |
| | Pension plan | 0 | 1'794 |
| | Advance payments | 84'765 | 8'291 |
| | Miscellanius current receivables | 1'500 | 0 |
| | **Total** | **7'975'153** | **8'113'172** |

| 4 | **Prepaid expenses and accrued income** | CHF | |
|---|---|---|---|
| | | 30 June 2023 | 30 June 2022 |
| | Prepaid expenses | 32'591 | 43'389 |
| | Accrued income | 6'469 | 3'860 |
| | **Total** | **39'060** | **47'248** |

| 5 | **Financial assets** | CHF | |
|---|---|---|---|
| | | 30 June 2023 | 30 June 2022 |
| | Advance payments for future acquisition | 0 | 3'144'165 |
| | Long term receivable from participations (direct or indirect) | 709'458 | 516'207 |
| | Impairment of financial assets | 0 | -3'144'164 |
| | **Total** | **709'458** | **516'208** |

## 6 Participations

| | Local currency | Share of votes | Share of capital | Share capital in local currency | CHF Opening balance | CHF Additions/ disposals | CHF Closing balance |
|---|---|---|---|---|---|---|---|
| SunMirror Luxembourg S.A., Luxembourg (direct shareholding) | EUR | 100% | 100% | 1'111'000 | **1'175'000** | 0 | **1'175'000** |
| Lithium 1 Pty Ltd, Perth, Western Australia (indirect shareholding) | AUD | 100% | 100% | 10 | **n/a** | n/a | **n/a** |
| Pharlap Holdings Pte. Ltd., Singapore (indirect shareholding) | SGD | 100% | 100% | 4'172'472 | **n/a** | n/a | **n/a** |
| **End of the period 30 June 2023** | | | | | **1'175'000** | **0** | **1'175'000** |
| SunMirror Luxembourg S.A., Luxembourg (direct shareholding) | EUR | 100% | 100% | 1'111'000 | 1'175'000 | 0 | **1'175'000** |
| Lithium 1 Pty Ltd, Perth, Western Australia (indirect shareholding) | AUD | 100% | 100% | 10 | **n/a** | n/a | **n/a** |
| Pharlap Holdings Pte. Ltd., Singapore (indirect shareholding) | SGD | 100% | 100% | 4'172'472 | **n/a** | n/a | **n/a** |
| **End of the period 30 June 2022** | | | | | **1'175'000** | **0** | **1'175'000** |

## 7 Intangible assets

| | CHF Opening balance | CHF Additions | CHF Disposals | CHF Total before amortization | CHF Amortization | CHF Closing balance |
|---|---|---|---|---|---|---|
| Domains | 7'576 | 0 | 0 | **7'576** | -2'392 | **5'184** |
| **End of the period 30 June 2023** | **7'576** | **0** | **0** | **7'576** | **-2'392** | **5'184** |
| Domains | 11'962 | 0 | 0 | **11'962** | -4'386 | **7'576** |
| **End of the period 30 June 2022** | **11'962** | **0** | **0** | **11'962** | **-4'386** | **7'576** |

**8 Trade accounts payable**

| | CHF 30 June 2023 | CHF 30 June 2022 |
|---|---|---|
| Third parties (accounts payable) | 28'425 | 835'978 |
| Corporate bodies | 26'925 | 27 |
| Other related parties | 12'062 | 13'786 |
| **Total** | **67'412** | **849'790** |

**9 Interest bearing liabilities**

| | | | CHF 30 June 2023 | CHF 30 June 2022 |
|---|---|---|---|---|
| Convertible bond<br>Issue date: April 2021<br>Interest: 10% p.a.<br>Maturity date: 30th May 2022 | EUR | 0 | 0 | 2'977'494 |
| Compulsory Convertible Notes<br>Issue date: 20th December 2021<br>Issue price: 90.91% of redemption price<br>Maturity date: 20th December 2022<br>Redemption price: EUR 75.00 | EUR | 0 | 0 | 4'012'044 |
| **Total** | | | **0** | **6'989'539** |
| due within 12 months | | | 0 | 6'989'539 |
| due after 12 months | | | 0 | 0 |

**10 Other current liabilities**

| | CHF 30 June 2023 | CHF 30 June 2022 |
|---|---|---|
| Employees | 0 | 15'950 |
| Social securities/ government agencies | 0 | 12'753 |
| Pension plan | 584 | 756 |
| **Total** | **584** | **29'459** |

**11 Provisions**

| | Number of options | CHF 30 June 2023 | CHF 30 June 2022 |
|---|---|---|---|
| Stock option plan management and administrative bodies | 10'806 | 6'855 | 0 |
| **Total** | | **6'855** | **0** |
| due within 12 months | | 0 | 0 |
| due after 12 months | | 6'855 | 0 |

Until June 30, 2023, a total of 17'968 stock options with an average exercise price of EUR 7.00 per share have been granted, of which 8'984 have legally vested as of the reporting date and 10'806 were recognised as compensation expense in the current financial year.

**12 Deferred income and accrued liabilities**

| | CHF 30 June 2023 | CHF 30 June 2022 |
|---|---|---|
| Accrued liabilites and short-term provisions | 375'365 | 702'016 |
| **Total** | **375'365** | **702'016** |

### 13 Total equity

| | CHF 30 June 2023 | 30 June 2022 |
|---|---|---|
| **Share capital** | | |
| Share capital - opening balance | 2'343'221 | 2'000'000 |
| Capital increase through conversion of convertible notes/ bonds from conditional capital, established on 29.12.2020 | 52'534 | 95'100 |
| Capital increase in cash from authorized capital, established on 31.08.2020 and on 29.12.2020 | 0 | 248'121 |
| **Total Share capital** | **2'395'755** | **2'343'221** |
| | | |
| Number of bearer shares at a nominal value of CHF 1.00 per share issued at end of period: | 2'395'755 | 2'343'221 |
| | | |
| **Statutory capital reserve** | | |
| Capital contribution reserve - opening balance | 23'539'911 | 0 |
| bonds from conditional capital, established on 29.12.2020 | 3'803'820 | 6'027'676 |
| established on 31.08.2020 and on 29.12.2020 | 0 | 17'512'235 |
| **Total Statutory capital reserve** | **27'343'731** | **23'539'911** |

The legal capital reserve from the conversion of the compulsory convertible notes in the amount of CHF 3.8 million, as an addition in the reporting year, has not yet been approved by the Swiss Federal Tax Administration. This can only be done after the approval of the financial statements by the Annual General Meeting.

| | 30 June 2023 | 30 June 2022 |
|---|---|---|
| **Statutory retained earnings** | | |
| General statutory reserve | 92 | 92 |
| **Total Statutory retained earnings** | **92** | **92** |
| | | |
| **Accumulated losses** | | |
| Loss carried forward | -14'396'245 | -3'072'188 |
| Loss for the year | -2'329'077 | -11'324'058 |
| **Total Accumulated losses** | **-16'725'322** | **-14'396'245** |
| | | |
| **Total equity** | **13'014'256** | **11'486'979** |

## 14 Personnel expenses

| | | CHF 2023 (12 months) | 2022 (12 months) |
|---|---|---|---|
| Wages and salaries | | -772'236 | -737'643 |
| Social security | | -36'935 | -64'538 |
| Pension plan | | -11'632 | -21'569 |
| Other personnel expenses | | -12'617 | -12'500 |
| **Total** | | **-833'420** | **-836'250** |
| | | | |
| Share based payments | Number | | |
| Options and value (expenses) | 10'806 | -6'855 | 0 |

## 15 Other operating expenses

| | CHF 2023 (12 months) | 2022 (12 months) |
|---|---|---|
| Rent | -4'472 | -38'768 |
| Maintenance, repairs, replacements | 0 | -1'025 |
| Insurances, duties, fees, permits | -34'163 | -27'472 |
| Energy and disposal | -644 | -555 |
| Administration and IT | -8'718 | -6'539 |
| Accounting and consolidation | -265'086 | -283'185 |
| Business consulting | -138'755 | -884'459 |
| Legal and tax consulting | -559'352 | -587'409 |
| Regulatory expenses | -197'444 | -487'461 |
| Board of Directors and General Meeting | -22'592 | -17'472 |
| Auditing fees | -337'867 | -564'102 |
| Advertising and Investor Relations | -241'681 | -444'561 |
| **Total** | **-1'810'774** | **-3'343'007** |

## 16 Depreciation, amortization and impairment of non-current assets

| | CHF 2023 (12 months) | 2022 (12 months) |
|---|---|---|
| Impairment of financial assets | -1 | -3'144'164 |
| Amortization intangible assets | -2'392 | -4'386 |
| **Total** | **-2'393** | **-3'148'550** |

## 17 Financial income

| | CHF 2023 (12 months) | 2022 (12 months) |
|---|---|---|
| Interest income | 12'147 | 3'254 |
| Gains on marketable securities - realized | 40'186 | 0 |
| Gains on currency translation - realized | 602'522 | 777'221 |
| Gains on currency translation - unrealized | 3'897 | 3'066 |
| **Total** | **658'752** | **783'542** |

## 18 Financial expenses

| | CHF 2023 (12 months) | 2022 (12 months) |
|---|---|---|
| Interest | -178'978 | -466'737 |
| Bank fees | -29'771 | -46'224 |
| Losses on marketable securities - realized | 0 | -1'431'741 |
| Losses on marketable securities - unrealized | 0 | -289'902 |
| Losses on currency translation - realized | -163'536 | -674'271 |
| Losses on currency translation - unrealized | -318'767 | -340'401 |
| Other financial expenses | 0 | -1'951'431 |
| **Total** | **-691'052** | **-5'200'708** |

## 19 Extraordinary, non-recurring or income relating to other periods

| | CHF 2023 (12 months) | 2022 (12 months) |
|---|---|---|
| Income relating to other periods | 360'631 | 422'866 |
| **Total** | **360'631** | **422'866** |

2022/23:

CHF 354'550: Agreement with service providers to pay a lower amount than was recognized as a liability in the previous year.

CHF 6'081: Social security reimbursement from previous year without accrual.

2021/22:

CHF 280'360: Agreement with a service provider to pay a lower amount than was recognized as a liability in the previous year.

CHF 142'506: When the convertible bond was converted into equity, the interest accrued in the previous year lapsed.

## 20 Direct taxes

| | CHF 2023 (12 months) | 2022 (12 months) |
|---|---|---|
| Capital taxes | -10'821 | -1'950 |
| **Total** | **-10'821** | **-1'950** |

Direct taxes are related to capital taxes. As the Company shows a loss for the reporting period and the previous period, there are no expenses related to income taxes.

## 21 Full-time equivalents (average per year/ period)

| | 30 June 2023 | 30 June 2022 |
|---|---|---|
| The number of full-time equivalents is | not above 10 | not above 10 |

## 22 Contingent liabilities

The Company has been in a dispute with the holders of the former 52'534 mandatory convertible notes ISIN CH1142529093, which were issued in December 2021 and were automatically converted into SunMirror shares on 20 December 2022 at a price of EUR 75 per share. The noteholders have disputed the conversion of their notes. The Company considers that the notes were rightfully converted to shares and fundamentally disagrees with the noteholder's allegations. On this basis and given the current facts, the Company is of the opinion that the claims are unfounded and does not recognize any provision or contingent liabilities in connection with this dispute. At a conciliation hearing in March 2023, no settlement was reached. Following such conciliation hearing the noteholders failed to file a claim in Swiss courts within the applicable deadline. In order to file a claim, the noteholders would have to start the process again and request a new conciliation meeting.

Proposal for the appropriation of accumulated loss

The Board of Directors proposes that the accumulated loss be appropriated as follows:

| | CHF | |
|---|---|---|
| | 30 June 2023 | 30 June 2022 |
| **Accumulated losses** | | |
| Loss carried forward | -14'396'245 | -3'072'188 |
| Loss for the year | -2'329'077 | -11'324'058 |
| **Accumulated losses at the end of the period** | **-16'725'322** | **-14'396'245** |
| **Balance carried forward** | **-16'725'322** | **-14'396'245** |

FERAX

Report of the statutory auditor
to the general meeting of
**SunMirror AG, Zug**

Zurich, November 28, 2023

## Report on the audit of the financial statements

*Opinion*

We have audited the financial statements of SunMirror AG (the Company), which comprise the statement of financial position as at June 30, 2023, the statement of profit and loss for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements presented on pages 134 to 142 comply with Swiss law and the Company's articles of incorporation.

*Basis for Opinion*

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Valuation of investments and receivables from investments |
|---|
| In the statement of financial position, investments and receivables from investments are reported at a total of CHF 9.5 million (June 30, 2022: CHF 9.4 million). The carrying amount of these assets represents 70% of the total assets of the company as of June 30, 2023 (June 30, 2022: 47%). |
| **Audit matter**<br>Investments and receivables from investments are recognized on an individual basis at cost less any necessary valuation allowances, in accordance with the requirements of bookkeeping and accounting practice and reporting. No valuation allowances were recognized either in the previous year or in the financial year.<br>The valuation of investments and receivables from investments is directly related to the valuation of the exploration assets recognized in the investments. In our view, these items, which are significant in terms of amount, were of particular importance as management's assessment of recoverability is based on inherent uncertainties such as:<br>- the long-term focus on potential development and mining of metals;<br>- the determination of whether or not suspected deposits actually exist;<br>- the identification and assessment of any impairment indicators that may exist;<br>- dependencies on third party interests, some of which are significant. |

**Our approach**

Our audit procedures with respect to the exploration assets recognized in the investments included:

- We obtained an understanding of the valuation methodology and assessment of impairment indicators applied by management for the year ended June 30, 2023.
- We assessed the design and implementation of relevant controls related to management's assessment of potential impairment indicators as of year-end.
- We engaged an expert in the valuation of exploration and evaluation of mineral resources to assess management's judgement and management expert's judgement and whether the carrying amounts of the assets are appropriate.
- We performed the following additional audit procedures to verify the existence of the recognized intangible assets:
  - Reviewed the underlying exploration licenses and related required activities to verify the existence of ownership and validity as of year-end;
  - Review of recent field visit reports prepared by management's expert;
  - Interviewing management;
  - With respect to the license rights, we requested a third-party confirmation from the licensee confirming the license rights as per the original agreement and the ownership of the respective retention license.

Based on our audit results, we consider the valuation of the investments and receivables from investments to be reasonable.

*Other matter*

The financial statements of the Company for the year ended June 30, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on October 28, 2022.

*Other information*

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Board of Directors' responsibilities for the financial statements*

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

*Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

## Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Furthermore, we confirm that the proposed appropriation of accumulated loss complies with Swiss law and the Company’s articles of incorporation. We recommend that the financial statements submitted to you be approved.

F e r a x   T r e u h a n d   A G

| | |
|---|---|
| Renzo Peduzzi | Ronito Kunz |
| *Licenses Audit Expert* | *Licensed Audit Expert* |
| *Auditor in charge* | |

# Statement by all legal representatives

We confirm to the best of our knowledge that the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the Management Report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Zug, 20 November 2023

Laurent Quelin e.h.
Board member

Daniel Monks e.h.
Board member

# ANNUAL REPORT 2022/23

## Note/Disclaimer

In this publication, “SunMirror” refers to the group, while “SunMirror AG” refers to the parent company (single entity).

Minor arithmetic differences may occur as a result of commercial rounding of individual figures and percentages in this publication.

The forecasts, target figures and forward-looking statements contained in this publication are based on the knowledge and estimates available at the time of preparation. Like all forward-looking statements, they are subject to risks and uncertainties that could lead to considerable deviations in the result. No guarantee can be given for the actual occurrence of forecasts and target figures as well as forward-looking statements.

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