Company Registration No. 10829496 (England and Wales)

ZINNWALD LITHIUM PLC

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

ZINNWALD LITHIUM PLC

CONTENTS

ZINNWALD LITHIUM PLC

CHAIRMAN'S STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

Chairman's Statement
The first half of 2021 has proved an extremely busy period for Zinnwald Lithium Plc (the "Company") which, just before the period end, culminated in the acquisition of the remaining 50% of Deutsche Lithium GmBH ("Deutsche Lithium") for €1.5 million cash and 50 million new ordinary shares. By taking full ownership of Deutsche Lithium, we are now in a much stronger position to capitalise on unlocking the full potential of the Zinnwald Lithium Project (the "Project") for the benefit of our shareholders.

Based in south-eastern Germany, the Project has a number of attractive attributes, not least its location in the heart of the European chemical and automotive industries. The European Union has set itself a target of being carbon neutral by 2050, and battery storage, where lithium-ion is a leading technology, is a vital enabling technology for this. The shift towards electric vehicles ("EVs") is gathering momentum and Europe is increasingly seeking to become an important global centre for EV production. As the importance of EV manufacturing grows so too does the importance of a local supply chain. In recognition of this, the EU has designated lithium a critical raw material and is actively seeking to encourage local production.

The economics of the Project have previously been demonstrated and we have identified a number of key work streams which will be required to advance it towards production. We are completing the initial phase of the lithium hydroxide ('LioH') test work which is delivering encouraging initial results showing the potential to produce a high quality, battery grade LioH alongside the already proven ability to produce battery grade lithium fluoride and lithium carbonate. We will update the market further once this work is completed.

Another important development during the period was the granting of the Sadisdorf exploration licence. This licence, located approximately 12 km from the Company's Zinnwald licence area, has an historic JORC resource which adds materially to our existing resources and, together with two other exploration licences held by the Company, has the potential to add significant resource upside to the Project.

In Ireland, the Company has rationalised its licence holdings and has retained only the core prospecting licence related to the brownfield Abbeytown Project. The zinc price has rebounded strongly during the course of 2021 and the Company's objective with regard to Abbeytown remains to find a partner or purchaser for the asset. In Sweden we have relinquished our Brännberg licences as non-core, its value having previously been written off.

We note with interest the Rule 2.7 announcement on 25 August 2021 by our 35.5% shareholder Bacanora Lithium plc ("Bacanora") and Ganfeng International Trading (Shanghai) Limited ("Ganfeng") regarding an Offer for Bacanora by Ganfeng. As noted in this announcement Bacanora intends to make a distribution *in specie* of the shares held by Bacanora in Zinnwald to Bacanora's shareholders including Ganfeng. Should the conditions for the distribution *in specie* be met we look forward to working with our potential new shareholders going forward.

Financials
The Company continues to maintain its extremely disciplined approach to expenditure and cash management and as such is well funded into 2022, with cash of €2.3m as at the date of this report.

Outlook
As the sole owner of one of Europe's more advanced battery-grade lithium projects, capable of producing a number of downstream battery grade lithium products, we are delighted to now control what we consider to be an extremely strategic asset.

Our focus over the next 12 to 18 months will involve undertaking test work to ascertain the commercial viability of producing a wider range of lithium compounds as well as value engineering and optimisation of the flow sheet and associated infrastraucture leading into an updated feasibility study. Work with regard to permitting is also ongoing.

Further discussions with both off-take and financing partners will also take place as we seek to advance the Project. I view the future with a high degree of confidence and would like to thank our shareholders for their continued support.

With plenty of latent demand for lithium, a highly experienced team on the ground in Germany and access to a pool of additional skilled labour we look forward to updating you on our progress.

Jeremy Martin
Non-Executive Chairman

ZINNWALD LITHIUM PLC

STRATEGIC REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

The directors present the strategic report for the six months ended 30 June 2021.

1 Highlights – 6 months to 30 June 2021

- Acquired remaining 50% of Deutsche Lithium to consolidate full ownership of the Zinnwald Lithium project
- Granted new five-year exploration licences at Sadisdorf
- Completed initial phase of Lithium Hydroxide testwork

2 Operational review and outlook

Germany

During the first half of 2021, the Company has continued to progress the Project on both a corporate and operational level.

In line with our previously stated corporate strategy, we successfully completed the acquisition of a further 50% of Deutsche Lithium GmbH ("Deutsche Lithium") giving us 100% ownership and full operational control of the Project. The acquisition cost was €8.8 million, with the majority of the purchase consideration structured as an issue of new ordinary shares in the Company allowing us to conserve cash resources. New ordinary shares equivalent to 19.6% of our enlarged share capital were issued as part of the transaction and were distributed to a number of parties.

At the Project level during the year to date, we have been busy advancing various workstreams and have completed the initial phase of the lithium hydroxide ("LiOH") testwork. The initial results were highly encouraging and showed the potential to produce a high purity, battery grade product that is low in contaminants. We have also generated LiOH product samples, which we will be sharing with potential off-takers to help them evaluate the product. The ability to produce a high quality, battery-grade LiOH, alongside the Project's already demonstrated ability to produce battery grade lithium fluoride and lithium carbonate, further demonstrates the flexible nature of the Project and its ability to produce high value products to meet demand from battery makers.

Additionally, during the period, Deutsche Lithium was granted a five-year Exploration Licence (the "Sadisdorf Licence") covering approximately 225 hectares ("ha") in the Erzgebirge or Ore Mountains region of Saxony, Germany. This complements two other exploration licences already held by Deutsche Lithium: the Falkenhain licence, covering 295.7 ha and with a term to 31 December 2022; and the Altenberg licence, covering 4,225.3 ha and with a term to 15 February 2024. The Sadisdorf Licence is circa 12km NNE of Zinnwald's key lithium deposit and forms part of the same geological unit that hosts the historic Li-Sn-W deposits at Zinnwald, Falkenhain and Altenberg.

The grant of this licence coupled with the Falkenhain and Altenburg licences represents exciting expansion potential for Zinnwald and, based on the historical resource delineated by previous licence holders, effectively increases our overall resource to greater than 1 million tons contained lithium carbonate equivalent ("LCE"), an increase of over 50%. We will be undertaking further work on all our exploration licence areas to further evaluate their potential and how they can enhance the Project.

Looking forward, the Company is working to advance the permitting status of the Project. Deutsche Lithium obtained its mining licence for Zinnwald in 2017, which is valid until 2047, but comes with the standard requirements to apply for further permits for environmental and construction aspects of the Project. Deutsche Lithium is currently undertaking detailed environmental and community studies to continue to develop the overall Zinnwald sustainability framework. Environmental monitoring programmes are ongoing as well as the permitting process for Zinnwald's mining and mineral processing plant.

2 Operational review and outlook (continued)

Germany (continued)

In addition, the Company will begin a process of updating the feasibility study, value engineering work and finalisation of the plant locations.

With regard to the exploration licences, the Company has commenced data analytics and archive work with regard to the Sadisdorf licence. With regard to the Falkenhain licence, old drill cores have been prepared for mineral processing test work. Initial tests have indicated similar characteristics to the bulk samples from the Zinnwald licence.

Lithium Market

During the first half of 2021 stronger than expected electric vehicle production and sales volumes and only modest battery raw material supply response resulted in a tightening lithium market situation. As a result, both lithium carbonate and lithium hydroxide prices showed strong recoveries almost doubling from levels seen at the beginning of the year.

As governments and organisations worldwide drive the rapid deployment of new clean energy technologies, the role of critical materials, including metals such as lithium, is becoming more apparent. The EU estimates 18 times more lithium is required by 2030 to support its climate-neutrality scenarios, while at least 24 new lithium battery Gigafactories are planned in Europe with four expected to come online in 2021, bringing Europe's production capacity from its current 30 GWh to 700 GWh by 2028. To keep up with this demand, the EU is focused on encouraging local supply.

Ireland and Sweden

At the time of the reverse takeover transaction in October 2020, the Company placed its Irish and Swedish assets under care and maintenance while seeking either a partner or purchaser for the assets. In Sweden, the Company has now relinquished all of its licences, as these were considered non-core and closed its Filial entity in Sweden. The value of these licences in the Company's accounts had previously been fully written off.

At the Abbeytown project in Ireland, the Company's wholly-owned subsidiary, Erris Zinc Ltd, ("Erris Zinc"), carried out drilling of one diamond core drill hole on PL 3735 to meet minimum expenditure requirements for the biannual review of the permit. The hole, ERAB011, was located 20m to the east of hole ERAB005 drilled in 2018 (4.1m grading 15.63% zinc and lead combined and 90.68g/t silver). ERAB011, ERAB005 and ERAB008 are located on the same drill fence 375m south of the southernmost extent of the old workings and are the furthest south of all the drill holes drilled by Erris.

The aim of drilling the hole was to extend the known mineralisation in hole ERAB005 to the east and determine how wide the mineralised corridor may be. The hole angled at -60° and drilled to a depth of 211.5m was drilled to target potential mineralisation in the crinoidal limestone 20m from the intersection in ERAB005. The hole intersected alteration including calcite veins and pyrite mineralisation in the Index Bed, Lower Grit and minor localised chalcopyrite mineralisation in the lower mixed beds with a maximum value of 0.7m @ 0.348 % Cu. The copper mineralisation was intersected vertically beneath high-grade lead-zinc mineralisation in hole ERAB005.

The alteration in the crinoidal limestone and Index Bed is consistent with proximal alteration to a mineralised structure. Mineralisation appears to be strongly buffered by the carbonate lithology such that very low values of base metals can occur in the carbonates a very short distance from the conduits which can host high-grade base metals. While the results of this hole (ERAB011) were disappointing, the high-grade mineralisation in hole ERAB005 remains open to the south and the exploration model is such that the best targets will be found where the NNE faults intersect with east-west trending north or south dipping extensional faults. Exploration targets remain untested such as the strong soil targets 900 m along trend from the drilled mineralisation which are associated with a large regional normal fault. These targets warrant further drilling.

2 Operational review and outlook (continued)

Ireland and Sweden (continued)

In order to minimise ongoing holding costs, Erris Zinc has rationalised its licence holdings in Ireland, retaining just the core licence containing the old Abbeytown mine, which was renewed in August 2019 for a further six years to August 2025. Erris Zinc has now submitted surrender reports to relinquish the other four licences in the surrounding area.

3 Financial review

Notwithstanding that the Company is a UK plc, admitted to trading on AIM, the Company presents its accounts in its functional currency of Euros, since the majority of exploration expenditure, including that of its subsidiary Deutsche Lithium, is denominated in this currency.

The Group is still at an exploration and development stage and not yet producing minerals, which would generate commercial income. The Group is not expected to report overall profits until it is able to profitably commercialise its Zinnwald Lithium project in Germany, or disposes of its historic exploration project in Ireland.

On completion of the acquisition of the initial 50% of Deutsche Lithium in October 2020, this company and asset became the primary focus of the Zinnwald Group. As the Company did not have control of Deutsche Lithium at this initial stage, the holding was accounted for as an investment in a Joint Venture. On 24 June 2021, the Company completed the acquisition of the remaining 50% of Deutsche Lithium and from that date now consolidates the full results of Deutsche Lithium. As part of this step change to full consolidation, the Company revalued its initial shareholding in Deutsche Lithium and recognised a gain of €1.03m, together with a Goodwill intangible asset of €5.53m.

During the period, the Group made a loss before taxation of €0.94m compared with a loss of €0.41m for the period ended 30 June 2020. This is primarily due to a project impairment charge of €1.55m for Abbeytown together with the revaluation gain of €1.03m on the original investment in Deutsche Lithium. Administrative costs remained substantively unchanged at €0.36m, which primarily relates to the costs related to being a public listed company, including the costs of non-executive directors, brokers, nominated adviser and other advisers.

The Total Net Assets of the Group increased to €16.77m at 30 June 2021 from €3.45m at 30 June 2020, primarily due to the consolidation of Deutsche Lithium's net assets of €8.30m and the Goodwill intangible asset of €5.53m, offset by the full impairment of the Ireland and Sweden exploration assets.

The closing cash balance for the Group at the period end was €2.91m which is greater than the €1.27m at the end of the same period in the prior year, due primarily to the funds raised at the time of the initial acquisition of the shareholding in Deutsche Lithium, offset by ongoing development expenditure and the €1.5m cash payment to acquire the balance of the shares in Deutsche Lithium. As at the date of this report, the Group's cash balance is €2.3m.

On behalf of the board

Cherif Rifaat
Director and CFO
7 September 2021

The directors present their report and financial statements for the six months ended 30 June 2021.

Principal activities

The principal activity of the Company and Group is that of developing the Zinnwald Lithium Project to become the next lithium producer at the heart of Europe.

Results and dividends

The results for the period are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of an interim dividend.

Directors and Directors' Interests

There were no other changes to the directors who held office in the period or to their interests as disclosed in the last Annual Report.

Substantial shareholdings

The directors are aware of the following shareholders with interests in 3% or more of the Company's ordinary issued share capital as at 10 September 2021:

Major shareholder	No of shares	% of issued share capital
Bacanora Lithium Plc	90,619,170	35.5%
Henry Maxey	30,000,000	11.8%
Centrebridge Partners	15,918,718	6.2%
JP Morgan	8,510,972	3.3%

Bacanora Lithium Plc ("Bacanora") acquired its shareholding as part of the October 2020 reverse takeover transaction and is subject to a 12 month lock-in arrangement until 29 October 2021. Bacanora also entered into a Relationship Agreement that covers its rights and obligations, including the right to appoint a Director for as long as it owns more than 20% of the Company.

Directors' insurance

The Company has made qualifying third-party indemnity provisions for the benefit of its directors, which were made during the period and remain in force at the reporting date.

Supplier payment policy

The Company's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payers Code.

Working Capital and Liquidity Risk, Foreign Currency Risk, Credit and Interest Rate Risk

There have been no changes to the risks or mitigating steps as noted in the last Annual Report.

Streamlined Energy and Carbon Reporting

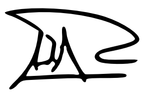
As per the Streamlined Energy and Carbon Reporting ("SECR") Regulations published in 2018, quoted companies and large unquoted companies that have consumed more than 40,000 kilowatt-hours (kWh) of energy in the reporting period must include energy and carbon information within their directors' report. Zinnwald Lithium Plc and the Group do not qualify as a quoted company or a large unquoted company and therefore are presently exempt from the SECR reporting requirements. The Company intends to publish energy emissions data in line with the SECR regulations as the Zinnwald Lithium Project develops.

Post reporting date events

On 25 August 2021, Bacanora published a Rule 2.7 announcement regarding the recommended cash offer by Ganfeng International Trading (Shanghai) Ltd ("Ganfeng") for the entire issued and to be issued share capital of Bacanora, other than that which Ganfeng already owns (the "Offer"). As part of this Offer, the independent directors of Bacanora intend to make a distribution in specie of the shares held by Bacanora in Zinnwald to Bacanora's shareholders, including Ganfeng, subject to the Offer becoming or being declared unconditional in all respects. In the event that the Offer and distribution of shares complete, Bacanora will cease to be a shareholder in Zinnwald and the Relationship Agreement will automatically terminate.

On 12 August 2021, the Company issued 500,000 new ordinary shares in accordance with the exercise of Options originally granted at the time of the Company's original IPO in 2017. As a result of this share issuance, the Company has 255,603,953 ordinary shares in issue as at the date of this report.

On behalf of the Board



Anton du Plessis
Director and CEO
7 September 2021

ZINNWALD LITHIUM PLC

CORPORATE GOVERNANCE STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

All members of the Board believe strongly in the value and importance of good corporate governance and in its accountability to all of the stakeholders in Zinnwald Lithium plc's ("Zinnwald" or the "Company") including our shareholders, advisers, regulators and other suppliers. Robust corporate governance improves performance and mitigates risk and therefore is an important factor in achieving the medium to long term success of the Company. In the statement which follows, we explain our approach to governance, and how the board and its committees operate.

Changes to the AIM Rules for Companies which were announced on 30 March 2018 required AIM companies to apply a recognised corporate governance code from 28 September 2018. Zinnwald has chosen to adhere to the Quoted Company Alliance's ("QCA") Corporate Governance Code for Small and Mid-Size Quoted Companies (revised in April 2018) to meet the new requirements of AIM Rule 26.

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the board judges these to be appropriate in the circumstances.

Like all aspects of the QCA Code, addressing the disclosure requirements should not be approached as a compliance exercise; rather it should be approached with the mindset of explaining and demonstrating the Company's good governance to external stakeholders.

The role of the Chair is to lead the board and to oversee its function and direction. The Chair has the overall responsibility for implementing an appropriate corporate governance regime at the Company.

There have been no significant changes in governance arrangements during the period.

The Company's most recent annual report for the financial period ended 31 December 2020 was published on 26 February 2021 and contains the disclosures recommended by the QCA Code. Furthermore, the Company updates its annual QCA Statement on its website with the most recent version published in October 2020, which includes therein further additional detail on the Company's ongoing compliance.

ZINNWALD LITHIUM PLC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	30 June 2021 Unaudited €	30 June 2020 Unaudited €
Revenue		-	-
Cost of sales		(13,797)	(40,695)
Gross (loss)/profit		(13,797)	(40,695)
Ireland and Sweden exploration project impairment	6	(1,549,875)	-
Administrative expenses		(357,579)	(368,074)
Operating loss	4	(1,921,251)	(408,769)
Finance income		422	-
Share of results of joint ventures	5	(52,911)	-
Revaluation gain on original joint venture holding	9	1,038,252	-
Loss before taxation		(935,488)	(408,769)
Tax on (loss)/profit		-	-
Loss for the financial period		(935,488)	(408,769)
Other comprehensive income		-	-
Total comprehensive income for the period		(935,488)	(408,769)
Earnings per share from continuing operations attributable to the owners of the parent company			
Basic and diluted (cents per share)	7	(0.44)	(1.31)

The income statement has been prepared on the basis that all operations are continuing operations.

ZINNWALD LITHIUM PLC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Notes	30 June 2021 Unaudited €	30 June 2020 Unaudited €	31 December 2020 Audited €
Non-current assets				
Investments in joint venture	**9**	-	-	3,852,083
Intangible assets	**8**	8,303,034	2,140,610	1,546,111
Goodwill	**8**	5,531,474	-	-
Property, plant and equipment	**10**	46,974	-	3,662
		13,881,482	2,140,610	5,401,856
Current assets				
Trade and other receivables	**11**	122,137	51,330	170,926
Cash and cash equivalents	**12**	2,908,955	1,271,251	4,846,527
		3,031,092	1,322,581	5,017,453
Total assets		16,912,574	3,463,191	10,419,309
Current liabilities				
Trade and other payables	**13**	143,974	12,476	58,833
		143,974	12,476	58,833
Net current assets		2,887,118	1,310,105	4,958,620
Total liabilities		143,974	12,476	58,833
Net assets		16,768,600	3,450,715	10,360,476
Equity				
Share capital	**15**	2,867,979	437,480	2,278,155
Share premium		14,112,654	4,431,671	7,362,699
Other reserves		818,654	811,077	814,821
Retained earnings		(1,030,687)	(2,229,513)	(95,199)
Total equity		16,768,600	3,450,715	10,360,476

ZINNWALD LITHIUM PLC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Share capital €	Share premium €	Other reserves €	Retained earnings €	Total €
Balance at 1 January 2021	2,278,155	7,362,699	814,821	(95,199)	10,360,476
Six months ended 30 June 2021:					
Loss and total other comprehensive income for the period	-	-	-	(935,488)	(935,488)
Total comprehensive income for the period	-	-	-	(935,488)	(935,488)
Issue of share capital	589,824	6,749,955	-	-	7,339,779
Credit to equity for equity settled share-based payments	-	-	3,833	-	3,833
Total transactions with owners	589,824	6,749,955	3,833	-	7,343,612
Balance at 30 June 2021	2,867,979	14,112,654	818,654	(1,030,687)	16,768,600

	Share capital €	Share premium €	Other reserves €	Retained earnings €	Total €
Balance at 1 January 2020	351,133	4,151,045	811,077	(1,820,744)	3,492,511
Six months ended 30 June 2020:					
Loss and total other comprehensive income for the period	-	-	-	(408,769)	(408,769)
Total comprehensive income for the period	-	-	-	(408,769)	(408,769)
Issue of share capital	86,347	280,626	-	-	366,973
Balance at 30 June 2020	437,480	4,431,671	811,077	(2,229,513)	3,450,715

ZINNWALD LITHIUM PLC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes		30 June 2021 Unaudited		30 June 2020 Unaudited
		€	€	€	€
Cash flows from operating activities					
Cash (used in)/generated from operations	**16**		(390,310)		(363,352)
Net cash (used in)/generated from operating activities			(390,310)		(363,352)
Cash flows from investing activities					
Investments in Joint Venture		(735,800)		-	
Exploration expenditure in Ireland and Sweden		(3,764)		(138,276)	
Purchase of remaining share of Deutsche Lithium		(1,500,000)		-	
Cash acquired on acquisition of Deutsche Lithium		486,213		-	
Interest received		422		-	
Net cash used in investing activities			(1,752,929)		(138,276)
Cash flows from financing activities					
Proceeds from issue of shares		58,717		366,973	
Net cash generated from financing activities			58,717		366,973
Net decrease in cash and cash equivalents			(2,084,522)		(134,655)
Cash and cash equivalents at beginning of period			4,846,528		1,497,276
Effect of foreign exchange rates			146,949		(91,370)
Cash and cash equivalents at end of period			2,908,955		1,271,251

1 Accounting policies

Company information

Zinnwald Lithium Plc (the "Company") is a public limited company which is admitted to trading on the AIM Market of the London Stock Exchange and is domiciled and incorporated in England and Wales. The registered office address is 29-31 Castle Street, High Wycombe, Buckinghamshire, United Kingdom, HP13 6RU.

The Group consists of Zinnwald Lithium Plc and its wholly owned subsidiaries, Deutsche Lithium GmbH in Germany, Deutsche Lithium Holdings Ltd (formerly Erris Resources (Exploration) Ltd) in the UK, and Erris Zinc Limited in Ireland.

1.1 Basis of preparation

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention and in accordance with the AIM Rules for Companies. As permitted, the Company has chosen not to adopt IAS 34 "Interim Financial Statements" in preparing this interim financial information. The unaudited interim condensed financial statements should be read in conjunction with the annual report and financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The unaudited interim condensed consolidated financial statements do not constitute statutory financial statements within the meaning of the Companies Act 2006. They have been prepared on a going concern basis in accordance with the recognition and measurement criteria of UK adopted international accounting standards. Statutory financial statements for the year ended 31 December 2020 were approved by the Board of Directors on 25 February 2021 and delivered to the Registrar of Companies. The report of the auditor on those financial statements was unqualified.

The same accounting policies, presentation and methods of computation are followed in these unaudited interim condensed financial statements as were applied in the preparation of the audited financial statements for the year ended 31 December 2020.

The financial statements are prepared in euros, which is the functional currency of the company and the group's presentation currency, since the majority of exploration expenditure is denominated in this currency. Monetary amounts in these financial statements are rounded to the nearest €.

1.2 Basis of consolidation

The consolidated financial statements incorporate those of Zinnwald Lithium Plc and all of its subsidiaries (i.e. entities that the Group controls when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity).

In regard to its shareholding in Deutsche Lithium, for the period from 1st January 2021 to 24th June 2021, the Board concluded that whilst it had significant influence over Deutsche Lithium (50% shareholding, 1 of the 2 co-managing directors and a casting vote on operational matters), it did not have control over that company and consequently the investment was accounted for using equity accounting rather than consolidated. On conclusion of the acquisition of the remaining 50% of Deutsche Lithium on 24th June 2021, the Company now consolidates the full results of Deutsche Lithium.

All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

1.3 Going concern

At the time of approving these financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company had a cash balance of €2.9m at the period end and keeps a tight control over all expenditure. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The Directors have reviewed the ongoing situation with COVID-19 and do not consider its effects to have a material impact on the Group's and Company's going concern.

1.4 Intangible fixed assets other than goodwill

Capitalised Exploration and Evaluation costs

Capitalised Exploration and Evaluation Costs consist of direct costs, licence payments and fixed salary/consultant costs, capitalised in accordance with IFRS 6 "Exploration for and Evaluation of Mineral Resources". The Group recognises expenditure in Exploration and Evaluation assets when it determines that those assets will be successful in finding specific mineral assets. Exploration and Evaluation assets are initially measured at cost. Exploration and Evaluation Costs are assessed for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. Any impairment is recognised directly in profit or loss.

1.5 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	25% on cost
Fixtures and fittings	25% on cost
Computers	25% on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in the income statement.

1.6 Impairment of non-current assets

At each reporting period end date, the Directors review the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Directors estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets not yet ready to use and not yet subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease

1.7 Joint Arrangements

Up to 24th June 2021, the Group's core activities in relation to the Zinnwald Lithium project were conducted through joint arrangements in which two or more parties have joint control. A joint arrangement is classified as either a joint operation or a joint venture, depending on the rights and obligations of the parties to the arrangement.

Joint operations arise when the Group has a direct ownership interest in jointly controlled assets and obligations for liabilities. The Group does not currently hold this type of arrangement.

Joint ventures arise when the Group has rights to the net assets of the arrangement. For these arrangements, the Group used equity accounting and recognises initial and subsequent investments at cost, adjusting for the Group's share of the joint venture's income or loss, dividends received and other comprehensive income thereafter. When the Group's share of losses in a joint venture equals or exceeds its interest in a joint venture it does not recognise further losses. The transactions between the Group and the joint venture are assessed for recognition in accordance with IFRS.

No gain on acquisition, comprising the excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of investment, was recognised in profit or loss. The net fair value of the identifiable assets and liabilities were adjusted to equal cost.

Joint ventures are tested for impairment whenever objective evidence indicates that the carrying amount of the investment may not be recoverable under the equity method of accounting. The impairment amount is measured as the difference between the carrying amount of the investment and the higher of its fair value less costs of disposal and its value in use. Impairment losses are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised.

2 Judgements and key sources of estimation uncertainty

In the application of the accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements.

Joint venture investment

The Group applied IFRS 11 to all joint arrangements and classified them as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Group held 50% of the voting rights of its joint arrangement with SolarWorld AG. The Group determined itself to have joint control over this arrangement as under the contractual agreements, unanimous consent is required from all parties to the agreements for certain key strategic, operating, investing and financing policies. The Group's joint arrangement was structured through a limited liability entity, Deutsche Lithium GmbH, and provided the Group and SolarWorld AG (parties to the joint venture agreement) with rights to the net assets of Deutsche Lithium under the arrangements. Therefore, this arrangement was classified as a joint venture up to 24 June 2021 when the Company acquired the remaining 50% of Deutsche Lithium and thereafter consolidated its full results.

The investment was assessed at each reporting period date for impairment. An impairment is recognised if there is objective evidence that events after the recognition of the investment have had an impact on the estimated future cash flows which can be reliably estimated. In addition, the assessment as to whether economically recoverable reserves exist is itself an estimation process. Under IFRS 3, on acquisition of the additional stake in the joint venture, the Company remeasured the fair value of its original investment in the joint venture and recognised a gain.

2 Judgements and key sources of estimation uncertainty (continued)

Impairment of Capitalised Exploration Costs

Excluding the newly acquired exploration assets of Deutsche Lithium, other Group capitalised exploration costs had a carrying value as at 31 December 2020 of €1,546,111. Ordinarily, Management tests annually whether capitalised exploration costs have a carrying value in accordance with the accounting policy stated in note 1.4. Due to the acquisition of the remaining shareholding in Deutsche Lithium and the Company's now sole focus on the Zinnwald Lithium project, the Directors elected to undertake a full review of non-core assets as part of the Interim accounts review. Each exploration project is subject to a review either by a consultant or an appropriately experienced Director to determine if the exploration results returned to date warrant further exploration expenditure and have the potential to result in an economic discovery. This review takes into consideration long-term metal prices, anticipated resource volumes and grades, permitting and infrastructure as well as the likelihood of on-going funding from joint venture partners. In the event that a project does not represent an economic exploration target and results indicate that there is no additional upside, or that future funding from joint venture partners is unlikely, a decision will be made to discontinue exploration.

In Ireland, five licences were originally granted for six years in 2013 and in Q3 2019, the Group extended these licences for a further six years. The exploration work identified excellent mineralisation in its drill holes and the metallurgical review has shown a good quality concentrate can be produced. However, in 2021, the Group elected to relinquish the four non-core licences but undertook the required further exploration work to maintain the core licence area (PL 3735) at Abbeytown and expects that this spend meets the requirement to maintain this licence in good standing through to Q3 2022. Whilst the current Zinc market is relatively subdued and Zinnwald is no longer focussed on Ireland, the Company still intends to find a JV Partner for PL 3735. Accordingly, the Board has concluded that an impairment charge should be made in the 2021 interim accounts in regard to capitalised costs from the Irish licences, which has resulted in an impairment of €1,547,986.

In 2021 in Sweden, the Company has been unable to find a joint venture partner to further develop its licences and has elected to cease all operations, close its Filial branch and relinquish all licences. In 2020, the Company fully impaired its Swedish assets and the Board have recommended a further impairment charge of €1,889 for expenditure made in 2021.

3 Segmental reporting

The Group operates principally in the UK and Germany with largely dormant subsidiary activities in Ireland and Sweden. Activities in the UK include the Head Office and corporate and administrative costs, whilst the activities in Germany relate to the work done by Deutsche Lithium on the Group's primary asset of the Zinnwald Lithium Project. The reports used by the Board and Management are based on these geographical segments. As noted earlier, the results of Germany were reported as an Investment in Joint Venture for the period to 24 June 2021, and from thereon will be reported on a fully consolidated basis.

	Ireland 2021 €	Sweden 2021 €	Germany 2021 €	UK 2021 €	Total 2021 €
Revenues	-	-	-	-	-
Cost of sales and administrative expenses	(3,818)	(1,513)	-	(514,642)	(519,973)
Gain/loss on foreign exchange	10	1	-	148,586	148,597
Project impairment	(1,547,986)	(1,889)	-	-	(1,549,875)
Profit/(loss) from operations per reportable segment	(1,551,794)	(3,401)	-	(362,224)	(1,921,251)
Reportable segment assets	16,887	2,145	14,395,408	2,498,134	16,912,574
Reportable segment liabilities	-	-	41,122	102,852	143,974

	Ireland 2020 €	Sweden 2020 €	Others 2020 €	UK 2020 €	Total 2020 €
Revenues	-	-	-	-	-
Cost of sales and administrative expenses	(30,981)	-	(9,714)	(276,704)	(310,399)
Gain/loss on foreign exchange	(3,240)	(41)	-	(88,089)	(91,370)
Profit/(loss) from operations per reportable segment	(34,221)	(41)	(9,714)	(364,793)	(408,769)
Reportable segment assets	2,007,946	126,675	34,037	1,294,533	3,463,191
Reportable segment liabilities	4,671	-	-	7,805	12,476

4 Operating (loss)/profit

	2021 €	2020 €
Operating (loss)/profit for the period is stated after charging:		
Exchange gains/losses	148,597	(91,370)
Ireland and Sweden exploration projects impairment	1,549,875	-
Share-based payments	3,833	-
Operating lease charges	11,891	19,121
Exploration costs expensed	5,331	40,695

5 Share of results in Joint Venture

	2021 €	2020 €
Share of Loss in Joint Venture for the period to 24 June 2021	(52,911)	-

6 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	2021 €	2020 €
In respect of:		
Intangible assets	1,549,875	-

7 Earnings per share

	2021 Number	2020 Number
Weighted average number of ordinary shares for basic earnings per share	213,439,290	31,098,212
Effect of dilutive potential ordinary shares: - Weighted average number outstanding share options	2,700,000	3,150,000
Weighted average number of ordinary shares for diluted earnings per share	216,139,290	34,248,212
Earnings	**€**	**€**
Continuing operations		
Loss for the period from continuing operations	(935,488)	(408,769)
Earnings for basic and diluted earnings per share attributable to equity shareholders of the company	(935,488)	(408,769)
Earnings per share for continuing operations		
Basic and diluted earnings per share (cents)		
Basic earnings per share	(0.44)	(1.31)
Diluted earnings per share	(0.44)	(1.31)

There is no difference between the basic and diluted earnings per share for the period ended 30 June 2021 and 2020 as the effect of the exercise of options would be to decrease the loss per share.

8 Intangible fixed assets

	Germany Exploration and Evaluation costs	Ireland & Sweden Exploration and Evaluation costs	Goodwill	Total
	€	€	€	€
Cost				
At 1 January 2021	-	2,138,576	-	2,138,576
Additions on consolidation	8,303,034	3,764	5,531,474	13,838,272
At 30 June 2021	8,303,034	2,142,340	5,531,474	15,976,848
Amortisation and impairment				
At 1 January 2021	-	(592,465)	-	(592,465)
Charge for the period	-	(1,549,875)	-	(1,549,875)
At 30 June 2021	-	(2,142,340)	-	(2,142,340)
Carrying amount				
At 30 June 2021	8,303,034	-	5,531,474	13,834,508

Intangible assets comprise capitalised exploration and evaluation costs (direct costs, licence fees and fixed salary / consultant costs) for the Zinnwald Lithium Project, Ireland Zinc Project and the Sweden Gold Projects.

9 Business combination

	30 June 2021	31 December 2020
	€	€
Investments in joint ventures	-	3,852,083
	-	3,852,083

Investments in subsidiaries are recorded at cost, which is the fair value of the consideration paid.

9 Business combination (continued)

9.1 Initial Investment in Deutsche Lithium

On 29 October 2020, the Company completed the acquisition of a 50% shareholding in Deutsche Lithium Gmbh ("Deutsche Lithium") from Bacanora Lithium Plc ("Bacanora") via a reverse takeover. Bacanora contributed its share in Deutsche Lithium and €1.35m in cash in exchange for 90,619,170 new shares in the Company at a price of 5p per share and a 2% Net Profits Royalty. The Company thereafter took over the obligations due under the Deutsche Lithium Joint Venture Agreement and made all payments due monthly from October 2020 to June 2021.

The Company held one of the two managing director positions and a 50% shareholding in Deutsche Lithium, but only had a casting vote on purely operational development matters. Therefore, the Directors concluded that the Company only had significant influence over Deutsche Lithium and not control.

The Company followed the requirements of IAS 28 in applying the equity method and increased or decreased the investment by recognising its share of the profit or loss and other comprehensive income from Deutsche Lithium.

The table below shows the movements in the equity accounted investment:

Value of 50% share in Deutsche Lithium acquired from Bacanora on 29 October 2020	€ 3,685,662
Funds provided under the terms of the Joint Venture Agreement	€ 165,000
Additional committed funds for further testwork	€ 34,000
Share of Deutsche Lithium Loss for the period November to December 2020	(€ 32,579)
Carrying Value as at 31 December 2020	€ 3,852,083
Funds provided under the terms of the Joint Venture Agreement	€330,000
Additional committed funds for further testwork	€389,800
Additional review work	€16,000
Share of Deutsche Lithium Loss for the period January to June 2021	(€52,911)
Carrying Value as at 24 June 2021	€4,534,972

9.2 Remeasurement of fair value of initial holding in Deutsche Lithium

Under IFRS 3, on acquisition of the controlling stake, the Company remeasured the fair value of its original investment in Deutsche Lithium. In terms of calculating that revaluation and any resulting gain or loss, the Directors noted that both transactions were conducted on an arms-length basis with unconnected third-parties. The Directors considered that there was a significant control premium in acquiring the second 50% of Deutsche Lithium and used an estimate of 30% in its calculations of the revaluation of the fair value of the initial shareholding.

Value of second acquisition	€ 8,781,062
Less: Cash in company	(€ 486,213)
Less: Free Carry eliminated	(€ 333,100)
Net Value of second acquisition	€ 7,961,749

Control premium (30%) of Net Value	€ 2,388,525
Fair Value of original investment	€ 5,573,224
Cash	€ 486,213
Release of obligation	€ 333,100
Value of second Acquisition	€ 8,781,062
Carrying Value at 24 June 2021	€ 4,534,972
Gain recognised on revaluation	€ 1,038,252

9 Fixed asset investments (continued)

9.3 Accounting for acquisition of remaining 50% of Deutsche Lithium

On 24 June 2021, the Company completed the acquisition of SolarWorld AG's 50% shareholding in Deutsche Lithium by the payment of €1.5m in cash and the issuance of 49,999,996 new shares in the Company. These new shares were valued at the closing price on 21 June 2021 of 12.5p, as all legal agreements became legally binding on completion on the morning of 22 June 2021, conditional solely on admission of the new shares on 24 June 2021. These 49,999,996 new shares were valued at 12.5p per share and an exchange rate of €1.16497, equating to a total value of €8,781,062 including the cash element.

On 24 June 2021, by virtue of acquiring the remaining 50% of Deutsche Lithium it did not own, the Company became the owner of 100% of Deutsche Lithium and the Joint Venture Agreement that covered its management was automatically terminated. This transaction is categorised as a 'step acquisition' under IFRS 3 whereby the Company now has a 100% owned subsidiary. Management has concluded that the acquisition is one of a business rather than an asset and accordingly, Deutsche Lithium moves from being equity accounted as a Joint Venture to being fully consolidated as a subsidiary undertaking.

On consolidation as at 24 June 2021, a calculation was required under normal acquisition rules to calculate the goodwill arising at the date of acquisition, but taking into consideration the 50% already owned at that date. The previously held 50% investment in Deutsche Lithium at Fair Value is derecognised and replaced with the assets and liabilities of Deutsche Lithium, so that going forward it is consolidated in full as normal as a subsidiary undertaking. The Directors have concluded that there should be no adjustment to the carrying value of Deutsche Lithium's Net Assets. The Directors undertook a detailed review of Deutsche Lithium's balance sheet at the time of the Company's acquisition of the remaining 50% of Deutsche Lithium it did not own and concluded that no adjustments were required. Since that date, Deutsche Lithium has continued with the same accounting policies, which are in accordance with those of the Company.

Fair Value of consideration given to acquire the controlling interest	
Cash of €1.5m	€ 1,500,000
49,999,996 new shares	€ 7,281,062
Total	€ 8,781,062
Fair value of 50% investment in Deutsche Lithium as at 24 June 2021	€ 5,573,224
Total Consideration	€ 14,354,286
Fair value of net assets acquired in Deutsche Lithium as at 24 June 2021	(€ 8,822,812)
Goodwill	€ 5,531,474

9.4 Commitments under the Deutsche Lithium JV Agreement

The Company signed a Deed of Adherence to abide by the terms of the Joint Venture Agreement. The only outstanding financial commitment was the 2nd Amendment entered into by Bacanora in February 2020 by which it committed to fund Deutsche Lithium with €1.35m in monthly instalments over two years. At the date of completion of the initial acquisition of 50% of Deutsche Lithium by the Company, the amount outstanding was €0.935m, as at 31 December 2020 it was €0.770m and as at 24 June 2021 it was €440,000. On completion of the acquisition of the remaining 50% of Deutsche Lithium, the Joint Venture Agreement was formally terminated and the Company shall henceforth fund the operations at Deutsche Lithium as a normal subsidiary undertaking.

10 Property, plant and equipment

	Plant and machinery, office equipment etc	Land, land rights & buildings	Total
	€	€	€
Cost			
At 1 January 2021	14,769	-	14,769
Additions – on acquisition of subsidiary	33,983	9,817	43,800
At 30 June 2021	48,752	9,817	58,569
Depreciation and impairment			
At 1 January 2021	11,107	-	11,107
Charge	488	-	488
At 30 June 2021	11,595	-	11,595
Carrying amount			
At 30 June 2021	37,157	9,817	46,974

11 Trade and other receivables

	30 June 2021	31 December 2020
Amounts falling due within one year:	€	€
Other receivables	82,783	133,459
Prepayments and accrued income	39,354	37,467
At 30 June 2021	122,137	170,296

12 Cash and cash equivalents

	30 June 2021	31 December 2020
	€	€
Cash and cash equivalents	2,422,742	4,846,527
Cash acquired on acquisition of subsidiary	486,213	-
At 30 June 2021	2,908,955	4,846,527

Security held over cash

Under the terms of the Deed of Adherence with Bacanora Lithium Plc, entered into on 29 October 2020, Bacanora held a secured charge over a cash amount equal to the amount outstanding under the Deutsche Lithium JV Agreement. As at 31 December 2020, this secured amount was €770,000. On completion of the acquisition of the remaining 50% of Deutsche Lithium and the termination of the Joint Venture Agreement, the Company has commenced the process of removing this secured charge.

ZINNWALD LITHIUM PLC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

13 Trade and other payables

	30 June 2021	31 December 2020
Amounts falling due within one year:	**€**	**€**
Trade payables	140,845	14,108
Accruals and deferred income	3,129	44,725
At 30 June 2021	143,974	58,833

14 Subsidiaries

Details of the company's subsidiaries at 30 June 2021 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct	Indirect
Deutsche Lithium Holdings Ltd	United	Holding	Ordinary	100.00	-
Erris Zinc Ltd	Ireland	Exploration	Ordinary	100.00	-
Deutsche Lithium GmbH	Germany	Exploration and Development	Ordinary	100.00	-

The registered office address of Deutsche Lithium Holdings Ltd (formerly Erris Resources (Exploration) Ltd) is 29-31 Castle Street, High Wycombe, Bucks, HP13 6RU.

The registered office address of Erris Zinc Ltd is The Bungalow, Newport Road, Castlebar, Co Mayo, F23 YF24.

The registered office address of Deutsche Holdings GmbH is Am St. Niclas Schacht 13, Freiberg, Germany, 09599.

15 Share capital

	30 June 2021	31 December 2020
Ordinary share capital	**€**	**€**
Issued and fully paid		
255,105,953 ordinary shares of 1p each (2020: 204,455,957)	2,867,979	2,278,155
	2,867,979	2,278,155

The Group's share capital is issued in GBP but is converted into the functional currency of the Group (Euros) at the date of issue of the shares.

Reconciliation of movements during the period:

	Ordinary Number	Ordinary €
Ordinary shares of 1p each		
At 1 January 2021	204,455,957	2,278,155
Issue of fully paid shares (share options exercised)	650,000	7,339
Issue of fully paid shares (consideration for shares in subsidiary)	49,999,996	582,485
At 30 June 2021	255,105,953	2,867,979

16 Cash (used in)/generated from group operations

	2021 €	2020 €
(Loss)/profit for the period after tax	(935,488)	(408,769)
Adjustments for:		
Investment income	(422)	-
Depreciation and impairment of property, plant and equipment	488	-
Ireland and Sweden exploration project impairment	1,549,875	-
Revaluation gain on original joint venture holding	(1,038,252)	-
Share of loss of Joint Venture	52,911	-
Equity-settled share-based payment expense	3,833	-
Foreign exchange	(146,949)	91,370
Movements in working capital:		
Decrease/(Increase) in trade and other receivables	79,674	(16,032)
Increase/(Decrease) in trade and other payables	44,020	(29,921)
Cash (used in)/generated from operations	(390,310)	(363,352)

17 Events after the reporting date

On 25 August 2021, Bacanora published a Rule 2.7 announcement regarding the recommended cash offer by Ganfeng International Trading (Shanghai) Ltd ("Ganfeng") for the entire issued and to be issued share capital of Bacanora, other than that which Ganfeng already owns (the "Offer"). As part of this Offer, the independent directors of Bacanora intend to make a distribution in specie of the shares held by Bacanora in Zinnwald to Bacanora's shareholders, including Ganfeng, subject to the Offer becoming or being declared unconditional in all respects. In the event that the Offer and distribution of shares complete, Bacanora will cease to be a shareholder in Zinnwald and the Relationship Agreement will automatically terminate.

On 12 August 2021, the Company issued 500,000 new ordinary shares in accordance with the exercise of Options originally granted at the time of the Company's original IPO in 2017. As a result of this share issuance, the Company has 255,603,953 ordinary shares in issue as at the date of this report.

18 Approval of interim condensed consolidated financial statements

These interim condensed financial statements were approved by the Board of Directors on 7 September 2021.