Company Registration No. 10829496 (England and Wales)

ZINNWALD LITHIUM PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

ZINNWALD LITHIUM PLC

COMPANY INFORMATION

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ZINNWALD LITHIUM PLC

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Chairman's Statement

The past year has seen a number of key milestones delivered by Zinnwald Lithium. During the course of 2021, we gained full control of our flagship Zinnwald Lithium Project (the “Project”) in south-eastern Germany via a cash and shares transaction worth €8.8 million. We also expanded our mineral resource base in the Saxony region, following the granting of an additional exploration license at Sadisdorf by the regional mining authority – bringing our total resource inventory at the Zinnwald Project to over one million tonnes lithium carbonate equivalent (‘LCE’). These transactions achieved in 2021 have served to firmly establish Zinnwald Lithium as major player in the in the European lithium space. To round the year off, we took advantage of the strong lithium market and raised approximately €7 million in equity – securing funds to advance the Project.

Having gained 100% ownership of Deutsche Lithium in June 2021, management completed a thorough technical review of the Project during the second half of the year. We also analysed market trends in battery chemistry, through meetings with off-takers and battery manufacturers, as to preferred lithium product and anticipated demand. As part of this, we are undertaking additional test work to determine our ability to produce lithium hydroxide economically and the results are expected shortly. The conclusion of our technical review, and the encouraging results from the initial test work, has resulted in pivoting the Project to focus on battery-grade lithium hydroxide as its primary end product.

In addition, as part of the ongoing value engineering work, trade off studies are underway to determine the optimum mining rate and process plant capacity. By increasing the targeted annual production rate, there is the potential to maximise the project economics and lower the cash cost. which is a key driver for the Project to be in the lower range of the cost curve. The work also focuses on other key ways to optimise the Project, including identifying options for cost reduction, as well as enhancements that reduce the CO2 footprint and our overall environmental impact.

In terms of the lithium market, 2021 was a year in which commodity markets benefitted from the impact of the increasingly rapid shift to electric vehicles (‘EVs’) and the implications for the critical raw materials required to produce lithium-ion batteries. Since January 2021, the price for lithium hydroxide has more than doubled and spot prices in China have recently hit levels of ~$50,000/tonne. As the growth in EV demand gathers pace, we believe supply deficits in the lithium market will become increasingly apparent. On the back of this surge, many market commentators have raised their long-term lithium price forecasts, which further supports the potential value of the Project.

Europe, in particular, is forecast to emerge as a key market for lithium with regional lithium battery production forecast to increase fifteen-fold by 2030. It is worth noting that, presently, there are no domestic European producers of battery-grade lithium products. In addition, even if all the currently contemplated lithium projects in Europe commence production, there will still be a need for significant import volumes to meet anticipated demand. Positioned in the heart of the German automotive sector, the Zinnwald Lithium Project has the potential to become a highly important strategic source of a vital commodity for the transition to a greener economy for both Germany and Europe.

With regard to our non-core assets, in Ireland the Company has rationalised its license holdings and retained just the core prospecting license related to the brownfields Abbeytown Project. The zinc price rebounded strongly during 2021 and the Company’s core objective for Abbeytown remains to find a partner or purchaser for the asset. In Sweden, we relinquished our Brännberg licences.

Looking ahead to 2022, the funds raised in December last year have set us up well to advance the Project. Specific workstreams planned for 2022 include completing detailed test work and preliminary engineering studies related to lithium hydroxide production. We will also be undertaking an in-fill drilling campaign at Zinnwald, as part of detailed mine planning, all part of the ongoing value engineering.

It is important to highlight that the Saxony region of Germany in which the Project is located has a long history of mining and contains legacy mining infrastructure. Work is currently underway to determine if it is viable to utilise parts of this existing infrastructure around the Project as part of our planned mining operations. This, in turn, has the potential to improve the logistics of the Project and lessen the impact on local communities and the environment through less movement on local roads.

The Project already benefits from the fact that its anticipated by-products are all benign in nature, almost all saleable, and the planned beneficiation process is comparatively energy and water efficient. Access to existing mining infrastructure, therefore, could further help improve the sustainability of the Project - helping us to achieve one of our core objectives, which is to bring to production a project that meets the highest standards of environmental and social responsibility.

A further key priority in 2022 is the commencement of an exploration drilling campaign at our nearby Falkenhain exploration license. A detailed review of historic drill data completed on the license prior to German Reunification has proved encouraging with respect to the potential prospectivity of the license area. The planned exploration drill campaign - targeting lithium, tin, and tungsten - will allow us to test the historic work, and assess the potential of the Falkenhain deposit, ultimately, to determine if this has the potential to feed the planned plant at the Zinnwald Project.

Corporate

The Companies shares have performed well over the last 12 months driven by the increased demand in lithium as the EV and clean energy transition gains global momentum. We have welcomed many new shareholders to our register including several large institutions, through both our fundraising activities, the acquisition of the remaining 50% of Deutsche Lithium, as well as from Bacanora Lithium Plc, which spun out its holding in our Company to its own shareholders shortly before the year end.

Financial Overview

The Company maintains a disciplined approach to expenditure and, as such, is well funded for 2022 with a €7.7 million cash position at today's date.

Long-term Outlook

Zinnwald has the potential to become a key European lithium project. We look forward to reporting further progress in the year ahead as we further develop the Project towards a Bankable Feasibility Study for Lithium Hydroxide.

In closing, I would like to thank the team for the work they have put in during the year and all our shareholders for their support. We look forward to an active year on the Project in 2022.

Jeremy Martin
Non-Executive Chairman
21 February 2022

The Directors present the strategic report for the year ended 31 December 2021.

1 Highlights – 12 Months to 31 December 2021

Zinnwald Lithium Project

- Acquired the remaining 50% of Deutsche Lithium GmbH from SolarWorld AG to consolidate full ownership of the Zinnwald Lithium project. The acquisition cost comprised 50 million new shares issued at a price of 12.5p and €1.5m in cash.
- Raised circa £5.8m primarily from existing shareholders at a price of 15.5p per share.
- Granted five-year Sadisdorf exploration licence within 12km of primary Zinnwald mining license.
- Completed initial phase of Lithium Hydroxide testwork.
- Completed a phase of value engineering to optimise the plant capacity and evaluate the production of a more conventional product, Lithium Hydroxide.

Legacy Assets

- Ireland – the Company undertook sufficient drilling to renew its core licence at the Abbeytown Project for a further two years to 2023, whilst relinquishing all other licenses.
- Sweden – the Company relinquished all its licenses and closed its operations.

2 Zinnwald Lithium Strategic Review

2.1 Company Overview - Background and evolution

The Group was originally established in 2012 as a mineral exploration and development company focused on Zinc licenses in Ireland and Gold licenses in Sweden. The Company made its IPO on AIM in December 2017 with Osisko Gold Royalties as its cornerstone investor and a project level partnership in Sweden with Centerra Gold. The Company has dropped all licenses in Sweden and closed its operations. In Ireland, the Company now retains a single license in Ireland at the brownfield Abbeytown project, which is on care and maintenance. The Company considers that the increase in the Zinc price in 2021 may assist in securing a partner to progress this asset.

In October 2020, the Company completed its transformation into a lithium-focused development company with the acquisition (via a reverse-takeover) of Bacanora Lithium Plc’s 50% ownership and joint operational control of, Deutsche Lithium GmbH whose principal asset is the Zinnwald Lithium Project.

In June 2021, the Company completed the acquisition of the remaining 50% of Deutsche Lithium from SolarWorld AG, a company which had been in administration since 1 August 2017. This gave the Company full ownership and full operational control of Deutsche Lithium. It also led to the cancellation of the Joint Venture Agreement with SolarWorld AG and the removal of certain obligations due to Bacanora in relation to this Agreement.

In December 2021, Bacanora distributed its entire holding of 30.9% of the Company’s shares to its own shareholders as part of the terms of its takeover by Ganfeng Lithium Ltd. This expunged most of the agreements between the Company and Bacanora that had been put in place at the time of the RTO, including the Relationship Agreement that gave Bacanora the right to appoint a Director to the Company. The sole remaining agreement is the Royalty Agreement covering 50% of the Project, which remains in place.

2.2 Zinnwald Lithium Project

The Zinnwald Lithium project (the “Project”) is located in southeast Germany, some 35 km from Dresden and adjacent to the border of the Czech Republic. The Project is in a granite hosted Sn/W/Li belt that has been mined historically for tin, tungsten, and lithium at different times over the past 400 years. The Project benefits from a strategic location in close proximity to the German automotive and downstream chemical industries. The Project comprises four key areas, as follows:

The advanced Zinnwald core project area

The Zinnwald core project area covers 256.5 ha and already has a 30-year mining licence to 31 December 2047. In May 2019, Deutsche Lithium first announced the results of the NI 43-101 Feasibility Study for the Project, which included an identified resource at this license area as follows:

- Measured plus Indicated Mineral Resource estimate containing 35.51 Mt at a grade of 3,519 ppm containing 124,974 t Li at cut-off grade of 2,500 ppm Li
- Represents approximately 665,000 tonnes of lithium carbonate equivalent ('LCE'), comprising approximately 357,500 tonnes of LCE in Measured Resources and approximately 307,500 tonnes of LCE in Indicated Resources
- Estimated Inferred Mineral Resources of 4.87 Mt at a grade of 3,549 ppm containing 17,266 t Li metal (approximately 92,000 tonnes LCE)

Falkenhain and Altenberg satellite areas

Prior to 2021, Deutsche Lithium held two other exploration licences; the Falkenhain licence (covering 295.7 ha and with a five-year term to 31 December 2022); and the Altenberg licence (covering 4,225.3 ha and with an approximately five-year term to 15 February 2024). The Falkenhain license area had been extensively explored for tin and tungsten prior to German reunification and historic data still exists for these drill campaigns. The Company intends to perform an exploration drill campaign to test the historical drilling and assess the potential of the Falkenhain target as a potential satellite lithium resource to feed into the main Zinnwald Project.

Sadisdorf satellite area

In June 2021, Deutsche Lithium was granted the Sadisdorf Licence, which covers circa 225 ha in the Erzgebirge or Ore Mountains region of Saxony, Germany and is valid until 30 June 2026. The license area is located circa 12km NNE of the Company's Zinnwald license area, and forms part of the same geological unit that hosts the historic Li-Sn-W deposits at Zinnwald, Falkenhain and Altenberg. The deposit at Sadisdorf has historically been mined for tin and copper. Historical exploration work at the Sadisdorf Licence by previous licence holders resulted in a December 2017 historic JORC compliant inferred mineral resource of 25 million tons with an average grade of 0.45% Li_2O (average 2,053 ppm lithium head grade). Subject to follow up exploration work and verification of the lithium grades, the Sadisdorf area has the potential to provide additional plant feed in the future.

Historic Project Plans

Whilst Deutsche Lithium was under the operational direction of Bacanora, the strategy for the Project was threefold – match the long mine life of Bacanora's main Sonora Project; produce a niche complimentary product to Sonora's mainstream lithium products (lithium carbonate); and most importantly, be financeable from Bacanora's internal cash flows.

With an abundant supply of fluorspar/hydrofluoric acid available in the immediate vicinity, Deutsche Lithium chose to focus on LiF (Lithium Fluoride) which is a high value downstream lithium product and one of the two key components in the manufacturing process of $LiPF_6$, which is the most important conducting salt in lithium electrolytes and serves as the "shuttle" in the lithium battery electrolyte which "ships" the lithium ion between the cathode and the anode. Approximately 95 per cent. of all lithium battery electrolytes use $LiPF_6$, and the percentage used in each cathode is increasing in some of the newer battery types.

The resultant Deutsche Lithium 2019 Feasibility Study was predicated on a 30-year mine life production of 5,112 tpa (~7,285 tpa LCE) of battery grade LiF. This study showed a pre-tax project NPV of €428 million and an IRR of 27.4%, based on a Capex of €160 million. The study also included the potential to produce up to 32,000 tpa of potassium sulphate for sale to the European fertiliser industry. Further, the majority of its mined tailings would be inert Quartz Sands that may be sold for use as an aggregate filler to local building companies.

The mining operation was planned as an underground mine development using a single decline ramp for access to the mine and for ore transportation from the mine to the surface. The mining method to be used was room and pillar with subsequent backfill using self- hardening material. The processing operation was to be based on a conventional processing flow sheet using established sulphate route processing technology. The integrated plant was designed to process approximately 570,000 tonnes of ore per year (assuming a 30-year mine plan).

Evolution of the Project Plans

During 2021, as part of planning the next phase of development, the Company completed a holistic technical review to identify ways to optimise all facets of the project to maximise value and make it as attractive as possible to potential Industry partners, off-takers and future finance providers. This review indicated that the core project could potentially sustain both a higher annual production level and a more conventional battery-grade lithium end products (lithium hydroxide and lithium carbonate) that are better suited to the current market demand.

In terms of the scale of the project, the Company has been reviewing the potential to operate with a higher annual output, but with a shorter mine life (still exceeding 20 years) from the Zinnwald license area. As noted above, the addition of the new deposits covered by the three new nearby license areas has the potential to increase Zinnwald's resource base and annual lithium production.

In prior years, Deutsche Lithium had already established the possibility of producing battery-grade lithium carbonate directly from the lithium mica concentrate with only minimal modifications to the flowsheet. In 2021, Deutsche Lithium undertook further testwork to determine if battery-grade lithium hydroxide could be produced. This testwork remains ongoing, but the preliminary indications appear to endorse that strategy.

The Company also continues to undertake detailed value engineering in order to optimise the cost profile of the Project. This work includes a closer examination of the potential for economic by-products including the tin and high quality potassium sulphate, and good quality aggregate products for the construction industry. A potential to significantly decrease CO2 emission and operating costs has been recognised if the old mining infrastructure was utilised and plant locations optimised. This would also reduce the impact of the project on surrounding communities.

2.3 Company Strategy

Prior to 2020, the Company's strategy was focused on shareholder value through the process of discovering new mineral deposits and seeking attractive acquisition opportunities. The Zinnwald Lithium Project was one such acquisition opportunity and the Board believes that advancing the Project represents an excellent opportunity to create value for Shareholders, particularly as the Project is at an advanced stage when compared with the Company's historic assets. The Company's strategy continues to be underpinned by a technically led team with extensive experience in bringing projects from the feasibility stage through to mine production, as well as the capital markets experience to source the funding required for these types of mining projects. The Project also fits into the Company's strategy of focusing on low-risk jurisdictions (Germany) in areas with proven metallogenic potential, an active mining industry, low political risk and transparent permitting processes.

The Project is now the Company's core development asset and the team will focus on further de-risking the project as it is advanced towards a development decision. Key work areas include:

- Assess the commercial viability of producing a broader range of lithium compounds, specifically lithium hydroxide and lithium carbonate;
- Expansion of the size of the Project by increasing annual production potential through increasing the planned mining rate and potentially bringing other satellite resources into the mining schedule;
- Identification of and negotiation with off-take partners (potentially locally) that could include battery manufacturers, chemical producers or commodity traders;
- Identification of and negotiation with potential financing partners that could include banks and national and trans-national development organisations;
- Exploration work to advance the satellite project areas to increase the potential size of the overall project resource base;
- Advance the plant engineering towards AAC Class 3;
- Minimising the carbon footprint by optimising Lithium plant location and transportation methods;
- Finalisation of the selection of the optimal chemical processing site location;
- Negotiation with the holders (principally the German state) of existing mining infrastructure in the vicinity of the Project that has the potential to enhance the project economics;
- Advancing the permitting process for the construction and operation of the mine; and
- Ensuring the social license to operate by extensive public participation.

The Company recognises the importance of the general public and the NGOs in the permitting processes, and has committed to proactively engage with all the stakeholders in its projects.

2.4 Business Plan

The Board will continue to run the Group with an efficient cost base in order to maximise the amount that is spent on the Project. The main challenge faced by the Company is securing sufficient funding to execute the development programme for the Project. The Company maintains a tight control on its budgets and reviews spend against budget on a monthly basis. The Directors' extensive experience of mining projects also ensures that funds are spent in the most effective way possible both on a cost basis and in relation to targeting the most effective areas to move the Project through to production and revenue generation.

The Group historically financed its activities through capital raisings as a private company, the sale of royalties and through its joint venture agreements with established industry players. The Company's public listing has enabled the Group to target a wider pool of investors, as demonstrated by its various fund raises and share issuances over the last 18 months at steadily increasing share prices – the October 2020 RTO at 5p, the June 2021 acquisition from SolarWorld at 12.5p, and the December 2021 fund raise at 15.5p.

2.5 Principal Risks and Uncertainties

Set out below are the principal risks and uncertainties facing the Group, any of which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. For a full list please refer to the AIM Admission Document published in October 2020.

Ongoing Capital requirements

Additional funding will be required to complete the proposed future exploration and development plans on the projects. There is no assurance that any such funds will be available. Failure to obtain additional financing, on a timely basis, could cause the Group to reduce or delay its proposed operations. The source of funds currently available to the Group for its projects has been derived from the issuance of equity. The Group will endeavour to add complimentary sources of funding as it progresses, which may include any of Debt, Offtake investment, Royalties, Grants or Governmental funding. While the Group has been successful in the past in obtaining equity financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company and its shareholders. Any debt-based funding, should it be obtainable, may bind the Group to restrictive covenants and curb its operating activities and ability to pay potential future dividends even when profitable.

Mining, Exploration and Development Risks.

There is no certainty that the expenditure to be made in the exploration and development of the Group's properties in which it has an interest will result in profitable commercial operations. Most exploration projects do not result in the discovery of commercially mineable deposits. The successful exploration and development of mineral properties is speculative and subject to a number of uncertainties and hazards, which even a combination of careful evaluation, experience and knowledge may not eliminate.

Market forces of supply and demand/pricing fluctuations

Numerous factors beyond the Group's control do and will continue to affect the marketability and price of lithium products received by the Group, once it is in production. Accordingly, lithium product prices will the Group's most significant financial risk. The Group intends to sell most or all of its production of battery-grade lithium products to its offtake partners on long-term supply contracts for on-sale to battery manufacturers. The market for these long-term supply contracts is opaque and not subject to any globally accepted or hedgeable spot market price.

The price of these contracts will be largely dictated by the expected growth in demand for lithium-ion batteries in conjunction with increased supply from other mines. Whilst growth in demand for lithium has been strong in recent years due primarily to increased usage of electric vehicles and grid storage; there is no guarantee that this growth will continue at the same rate. The Group competes on a supply basis with established competitors, who may be able to increase their production to fill any supply shortfalls.

Furthermore, reserve estimates and feasibility studies using different commodity prices than the prevailing market price could result in material write-downs of the Group's investment in its assets, increased amortisation, reclamation and closure charges or even a reassessment of the feasibility of the Group's projects. Downside price cannot currently be mitigated as no derivatives are currently available on the market.

Competition in the Lithium Industry

The Group's battery-grade lithium products are expected to compete primarily for market share with existing lithium producers and spodumene concentrate producers. The Group is expecting to compete based on the quality of its end product, consistent and fast production and price per tonne. The Group's competitors, some of which are large multinational corporations, may have substantial strategic advantages over the Group, including existing infrastructure, greater financial resources, strategic relationships with customers and logistical advantages in certain markets and could enhance their competitive position through acquiring, or consolidating interests in, other lithium producers. In addition, new competitors could obtain access to reserves of lithium through new discoveries or to the extent existing or greenfield projects become more economically viable. Any of the foregoing advantages and potential advantages of the Group's competitors over the Group could materially impact its ability to successfully sell its lithium products, which could ultimately have a material adverse effect on the Group's business, results of operations and financial condition.

Change in Battery Technology

There is no guarantee that lithium-ion batteries will remain the dominant technology in either the battery market as a whole or specifically in the EV sector. Advances have been made in alternative technologies such as Solid-state batteries, hydrogen fuel cells, lithium-sulphur, vanadium redox flow batteries, aluminium-graphite, sodium-ion, iron based batteries. Any one of these new technologies may have the potential to supplant or reduce demand for lithium, if sufficient resources are dedicated to commercialising it. However, the basic attractiveness of lithium as one of the smallest and lightest elements on the periodic table produce chemical bonds that are some of the strongest per unit of weight and volume. It is also one of the most abundant minerals on Earth. Car and battery manufacturers have invested heavily in lithium-ion technology and, as yet, show relatively little sign of changing their approach. The price per kilowatt hour of a lithium-ion battery has fallen by more than 97% since 1991 and is expected to drop below $100 in the short term.

Further licences and permits required

The Group's concessions for its projects will need to obtain further licences and permits prior to commencing commercial operations. The Group will also be required to obtain further environmental and technical permits for the construction and development of its commercial operations. There is a risk that these further permits, concessions and licences may not be granted which would have a significant material adverse effect on the Group. In addition, the granting of such approvals and consents may be withheld for lengthy periods or granted subject to satisfaction of certain conditions which the Group cannot or may consider impractical or uneconomic to meet. As a result of any such delays or inability to exploit such discoveries, the Group may incur additional costs or losses.

Personnel retention and recruitment

The Group's ability to compete in the competitive resource sector depends upon its ability to retain and attract highly qualified management, geological, technical and industry experienced personnel. Such personnel are expected to play an important role in the development and growth of the Group, in particular by maintaining good business relationships with regulatory and governmental departments and essential partners, contractors and suppliers.

Environmental laws and regulations

All phases of the Group's existing and planned operations in Germany will be subject to environmental regulation at a state and federal level concerning, among other things, water discharges, air emissions, waste management, toxic use reduction and environmental clean-up. Environmental laws and regulations continue to evolve, and it is likely the environmental laws and standards that regulate the operations will continue to be increasingly stringent in the future. Any violation or litigation relating to or liabilities under these laws and regulations could have a material adverse effect on the Group.

Market perception

Market perception of exploration and extraction companies may change in a way which could impact adversely the value of investors' holdings and the ability of the Company to raise further funds through the issue of further Ordinary Shares or otherwise.

Foreign currency exchange rates

The Group's revenues will be derived in Germany and the Group's operations and profitability may be adversely affected by movements in foreign currency exchange rates, particularly by movements in the US dollar and/or Euro relative to the British pound sterling, through both transaction and conversion risks. The Group's operational and functional currency is the Euro, whilst lithium products are generally priced and transacted in US dollars. The Group's ongoing capital and operational expenditures will primarily be in Euros with some exposure to GBP. The Group's primary exposure to the GBP is in relation to the currency of its listed shares and the Group takes the appropriate hedging steps to mitigate the risks on fund-raising

3 Operational review & outlook

Germany

During 2021, the Group has continued to progress the Project on both a corporate and operational level.

At a Corporate level, in line with our previously stated strategy, we successfully completed the acquisition of the remaining 50% of Deutsche Lithium giving us 100% ownership and full operational control of the Project. The acquisition cost was €8.8 million, with most 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 being primarily the creditors of SolarWorld AG.

At the Project level during the year, 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 year, 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 Altenberg 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 into 2022 and beyond, as noted above, the Group's plans for the Project are to seek ways to expand the size of the Project, increase annual lithium production, explore the potential for additional and higher value co-products, and to produce a more conventional lithium end-product for future offtakers. Consequently, the Group raised circa £5.8m in December 2021 to finance the start of this work. Some of the key workstreams for 2022 include the following:

- 15,000m of planned exploration drilling across Falkenhain and in-filling drilling at Zinnwald. At Falkenhain, a detailed review has been performed on historic drill data. Initial tests have indicated similar characteristics to the bulk samples from the Zinnwald licence. The planned drilling work at Zinnwald will help to refine the early years mine plan for an expanded mining operation on the
- The Group has started the process of updating the feasibility study to be based on the production of Lithium Hydroxide. This will also include value engineering work, finalisation of the plant locations, review of the potential to produce a tin by-product, refinement of the plans for co-product production, and the potential for sale of its quartz sand by-products

- The Group 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 undertaking 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.
- The Company has commenced data analytics and archive work with regard to the Sadisdorf licence.

Lithium Market

2021 saw a transformation in general market sentiment towards Lithium, as consumption grew strongly whilst pricing, especially in the spot market saw spectacular growth. These were driven by a number of macro-economic factors, some of which may be temporary, but several are likely to be longer term and support the progress of the Lithium industry away from being a niche volatile market.

In terms of consumption, estimates from the Australian Department of Industry put global demand for lithium carbonate equivalent (LCE) at 486,000 tonnes in 2021, up almost 60% from 2020's 305,000 tonnes. They forecast this to increase a further 50% to 724,000 tonnes by 2023. For the longer term, Canaccord, an investment bank, forecast a longer-term demand of circa 1.2 million tonnes by 2025 and 2.5 million tonnes by 2030, a CAGR of 20%. This was in large part due to increased demand for Electric Vehicles (EVs), that saw YOY growth in 2021 of 103% to 6.1m units, driven by China (+149% growth to 3.1m units) and Europe (+57% to 2.1m units). Canaccord forecast global sales to increase to 16.8m units by 2025 and 46m units by 2030 (representing an estimated EV penetration rate of 24% and 46%, respectively).

Lithium prices in the spot market in 2021 saw spodumene pricing up 532%, lithium carbonate 431% and lithium hydroxide 340% higher. However, it should be noted that the spot market is a smaller part of the industry, estimated to represent less than 30% of the total lithium market. Some of this price increase can be put down to a couple of inherently short term factors, such as:

- "Hangover" from the Lithium price crash of 2018-19. The period 2017 to 2019 saw a number of large scale projects, especially spodumene, coming online to flood a market, that at the time, enjoyed only modest EV growth. This caused a collapse in the lithium price, which in turn caused project deferrals or cancellations. This was further exacerbated by delays and restrictions caused by COVID-19 and left a mining industry unable to supply the post-lockdown surge in pent-up demand.
- Contract vs Spot market. The Global auto industry has increasingly prioritised securing contract supply prices, for which details are generally not reported to the market, which in turn reduced available supply for the spot market.
- Trader speculation. There is an inherent incentive for miners and traders to defer supply in the hope of even high prices, which in turn exaggerates short term price movement.

In the short term there may well be a price correction as suppliers have already started to take advantage of the incentive pricing, with new or restarted production in 2022, such as Greenbushes and Pilbara in Western Australia (spodumene) and the South American brine producers, Albemarle and SQM. In terms of supply, the Australian Department of Industry estimates global supply at 485,000 tonnes LCE in 2021 (up only 2%) and forecasts an increase to 615,000 tonnes in 2022 and 821,000 tonnes in 2023. However, the Australian Department of Industry also notes that currently supply from mine and brine operations is falling short in terms of matching demand growth, so whilst project development is underway, it will take time to fill the supply gap.

Globally, the longer-term outlook for lithium does appear promising which will hopefully see demand growth outpace production and a long term sustained higher price for producers. 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 European automotive industry also appears to be focusing its battery chemistry technology towards nickel-based chemistries (which require lithium hydroxide) as these typically offer better cold weather performance as well as superior energy density.

In Europe, the European Commission released a proposal for stronger emissions standards on vehicles which would require average emissions of new cars to come down by 55% on 2021 levels by 2030 and 100% by 2035. These targets mean security of supply for battery grade chemicals may become a big issue for customers, with a shortfall in battery grade products projected towards the end of the outlook period. 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. Volkswagen alone has committed to build six 40GWh battery factories in Europe by 2030 (equates to ~350kt of LCE demand). To keep up with this demand, the EU is focused on encouraging local supply.

In terms of the nature of the industry, the first half of 2021 saw the start of sector consolidation between lithium companies (Galaxy & Orocobre, IGO & Tianqi). The second half of the year saw more aggressive M&A, especially by the Chinese companies Ganfeng and CATL, who spent more than $2bn on five projects. Canaccord estimates that a total of US$7bn was spent on M&A during 2021 up from US$400m in 2020.

The larger more diversified miners have also started to take an interest in the industry as it matures. Rio Tinto's head of economics, Vivek Tulpule, said that by 2030 EV manufacturers would need about three million tonnes of lithium, compared with the roughly 350,000 tonnes they consume today. They estimated that existing operations and projects combined, will contribute one million tonnes of lithium and filling the supply gap would require over 60 Jadar projects (58kt per annum), even before the Jadar project was cancelled by the Serbian government.

Ireland and Sweden

In Ireland, at the start of 2021, the Group held five prospecting licences at the brownfield lead-zinc Abbeytown Project covering a total of 136km2 and including the historic Abbeytown mine in County Sligo, Ireland. These licences had been held since 2013 and were renewed in 2019 for a further six years to August 2025. During 2021, the Group carried out drilling of one diamond core drill hole on the core license at Abbeytown (PL 3735) to meet minimum expenditure requirements for the biannual review of the permit. To further minimise ongoing holding costs, the Group submitted surrender reports to relinquish the other four licences in the surrounding area. The Group will leave PL 3735 on care and maintenance, whilst seeking either a partner or purchaser for the assets. Whilst, the Directors believe that this core license retains value, the Company recognised an impairment of €1.6m during the year.

In Sweden, at the start of 2021, the Group held five permits of which three made up the Brännberg Gold Project in the Skellefte Mining District of north Sweden, with the other two being Enåsen and Storkullen in Central Sweden. During 2021, the Group 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 Group's accounts had previously been fully written off.

4 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 its 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 50% shareholding in Deutsche Lithium and recognised a gain of €1.0m, together with a Goodwill intangible asset of €5.5m.

During the year, the Group made a loss before taxation of €1.7m compared with a loss of €2.2m for the period ended 31 December 2020. This includes the impact of a project impairment charge of €1.6m for Abbeytown together with the revaluation gain of €1.03m on the original investment in Deutsche Lithium.

Administrative costs (excluding the one-off costs for the RTO in 2020) increased to €1.1m compared with a €0.7m for the period ended 31 December 2020. This primarily relates to the Group having moved from a small exploration company to a much larger scale operation (a doubling of headcount) that is in the final stages of development prior to construction of its Projects. It also includes 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 €22.6m at 31 December 2021 from €10.4m at 31 December 2020, primarily due to the consolidation of Deutsche Lithium's net assets of €9.1m and the Goodwill intangible asset of €5.5m, offset by the full impairment of the Ireland and Sweden exploration assets.

The closing cash balance for the Group at the period end was €8.3m which is greater than the €4.8m at the end of last year, due primarily to the funds raised in December 2021 to finance further development work in 2022. As at the date of this report, the Group's cash balance is €7.7m.

On behalf of the board

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Cherif Rifaat
Director, CFO
21 February 2022

5 Section 172(1) Statement - Promotion of the Company for the benefit of the members as a whole

The Directors believe they have acted in the way most likely to promote the success of the Company for the benefit of its members as a whole, as required by s172 of the Companies Act 2006.

The requirements of s172 are for the Directors to:

- Consider the likely consequences of any decision in the long term,
- Act fairly between the members of the Company,
- Maintain a reputation for high standards of business conduct,
- Consider the interests of the Company's employees,
- Foster the Company's relationships with suppliers, customers and others, and
- Consider the impact of the Company's operations on the community and the environment.

Following the Company's acquisition of 50% of Deutsche Lithium from Bacanora in October 2020 and the subsequent acquisition of the other 50% from the Administrator of SolarWorld AG in June 2021, the Company now operates as a lithium exploration and development company. Its primary investment, the Zinnwald Lithium Project, is currently undertaking additional work to further expand and develop the Project to enable it to raise the debt and equity required to finance the construction phase of the Project. As such, the Project is at pre-revenue stage and inherently speculative in nature. It does not currently generate regular income and is dependent upon fund-raising for its continued operation. The pre-revenue nature of the business is important to the understanding of the Company by its members, employees and suppliers, and the Directors seek to provide transparency about the Company's cash position and funding requirements as is allowed under applicable regulations.

The application of the s172 requirements can be demonstrated in relation to the some of the key decisions made during 2021:

- **Acquisition of remaining 50% of Deutsche Lithium** – As noted at the time of the RTO in October 2020, the Directors primary near term strategic goal was to secure ownership of the remaining 50% of Deutsche Lithium from the Administrator of SolarWorld AG. The Directors believe that full ownership of the Zinnwald Project is significantly more attractive to prospective investors and off-take partners, as well as enabling it to accelerate advancing the project to construction and ultimately production. In order to preserve cash available to the Company the Directors' intention was to try to secure the 50% primarily be way of equity rather than using its cash balance. The Directors believe that the final agreed transaction terms of €1.5m in cash and 50 million new shares fulfilled this goal, especially as the issue price of the new shares was 12.5p, a 250% premium to the 5p share price that the Company paid for its initial shareholding acquired from Bacanora.
- **Fund Raise in December 2021** – Once the Company had secured full ownership of Deutsche Lithium and the "free-carry" of the former JV Partner had ended, the Company was able to accelerate its review of the Project and develop a plan to optimise and expand the Project. This review highlighted a number of areas that the Company should focus on as soon as possible in 2022, primarily around testing historic drilling at Falkenhaim and further drilling at Zinnwald to further define the eventual mine plan. The Directors took the view that with potential uncertainty around the impact of Omicron on the stock market and also the impact of the distribution of Bacanora's 35% shareholding in the Company, that a fund-raise in December 2021 would enable the Company to pursue a more aggressive timetable on project advancement.
- **Use of PrimaryBid for retail investors** – The Directors believe that it is good governance to do all it can to allow existing shareholders and the wider retail market, who are often shut out of equity placings, to participate in any company fund raises especially if the placing is to be done at a discount. The Directors considered a rights issue but concluded that the time and costs involved were too onerous and elected to use PrimaryBid. The Directors acknowledge that the main drawback to this approach is that a PrimaryBid is only open for a short window after markets close, and that the Company could not forewarn shareholders that a raise would be coming and that it would be using PrimaryBid. In future, the Directors will endeavour to try and always include a PrimaryBid or equivalent element in future fund raises.

- **Impairment of Abbeytown** - The Company's primary focus is now on the development of the Zinnwald Lithium Project and the Company's shareholders have an expectation of no distraction in time or material funds from that focus. Accordingly, in June 2021 the Directors elected to let four of its licenses in Ireland lapse, whilst maintaining the core license at Abbeytown. The Company believes that this license retains some value as it has a valid exploration license until at least June 2023, and the Company's historic work did identify good mineralisation. However, the Directors believe that material future expenditure would only be justified by finding a Joint Venture partner. Accordingly, the Directors decided that the prudent course would be to fully impair the asset at the same time as it secured control of the Zinnwald Project.

As a mining exploration Company operating in Germany and the UK, the Board takes seriously its ethical responsibilities to the communities and environment in which it works. It abides by local and relevant UK laws on anti-corruption and bribery. Wherever possible, local communities are engaged in the geological operations and support functions required for field operations, providing much needed employment and wider economic benefits to the local communities. In addition, the Company follows international best practice on environmental aspects of its work. The Board's goal is to meet or exceed the required standards, in order to ensure the Company obtains and maintains its social licence to operate from the communities with which it interacts. The interests of the Company's employees are a primary consideration for the Board. An inclusive share-option programme allows them to share in the future success of the Company, personal development opportunities are supported, and a health and security support network is in place to assist with any issues that may arise on field expeditions.

On behalf of the board

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Anton du Plessis
Director, CEO
21 February 2022

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with UK-adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group and company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted IFRS, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group’s and company’s transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Company is compliant with AIM Rule 26 regarding the Company's website.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and audited financial statements for the year ended 31 December 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. Details of future developments are included in the Strategic Report.

Results and dividends

The results for the year are set out on page 38.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Jeremy Martin (Chairman)
Anton du Plessis (CEO)
Cherif Rifaat (CFO)
Graham Brown
Peter Secker

Directors' interests

The directors' interests in the shares of the company were as stated below:

As at 31 December 2021	No of shares	% of issued share capital	Share Options
Jeremy Martin	27,000	0.01%	350,000
Anton du Plessis	6,351	-	-
Cherif Rifaat	120,046	0.04%	800,000
Graham Brown	-	-	200,000
Peter Secker	178,695	0.06%	-

As at 31 December 2020	No of shares	% of issued share capital	Share Options
Jeremy Martin	27,000	0.01%	350,000
Anton du Plessis	-	-	-
Cherif Rifaat	120,000	0.04%	800,000
Graham Brown	-	-	200,000
Peter Secker	-	-	-

Substantial shareholdings

The directors are aware of the following substantial interests or holdings in 3% or more of the Company's ordinary issued share capital as at 21 February 2022:

Major shareholder	No of shares	% of issued share capital
Henry Maxey	42,898,910	14.62%
Ganfeng Lithium	25,465,899	8.68%
Centerbridge Partners LP	15,919,716	5.43%
M&G Plc	12,391,051	4.22%
Oberon Investments Limited	11,895,633	4.05%

Directors' insurance

The Group 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.

EIS Status

On 18 September 2018, the Company announced that it had received notice from HMRC that its Enterprise Investment Scheme (“EIS”) status had been confirmed and that any individual investors who had participated in the IPO and who wished to take advantage of the EIS tax relief benefits should contact the Company. Since that date, the Company has issued certificates to 65 shareholders who acquired a total of 3,743,000 shares in the IPO.

Supplier payment policy

The Group's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

The Group's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the Group's contractual and other legal obligations.

Working capital and liquidity risk

Cashflow and working capital forecasting is performed in the operating entities of the Group and consolidated at a Group level basis for monthly reporting to the Board. The Directors monitor these reports and rolling forecasts to ensure the Group has sufficient cash to meet its operational needs. The Board has a policy of maintaining at least a GBP 0.5m cash reserve headroom. Aside from its commitments under the Deutsche Lithium Joint Venture, the Group has no other material fixed cost overheads other than Director costs and the costs of being a listed company.

Foreign currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from one main currency exposure, namely GBP for its Head Office costs and the value of its shares for fund-raising and Euros for the majority of its operating expenditure. The Group’s Treasury risk management policy has historically been to hold most of its cash reserves in GBPs and to match as promptly as possible its Euro expenditures on its commitments in Germany. The Company took advantage of the strong GBP:Euro exchange rate at the end of 2021 to convert £5m of cash reserves into Euros to match its planned spend for 2022.

Credit and Interest Rate Risk

The Company has no borrowings and a low level of trade creditors and has minimal credit or interest rate risk exposure.

Auditor
PKF Littlejohn LLP has expressed its willingness to continue in office and a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the Company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the Company is aware of that information.

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.

On behalf of the board

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Jeremy Martin
Non-Executive Chairman
21 February 2022

Zinnwald Lithium Plc (The "Company") adheres to the Quoted Company Alliance's ("QCA") Corporate Governance Code for Small and Mid-Size Quoted Companies (revised in April 2018) to meet the requirements of AIM Rule 26. The Company includes below the material disclosures required under these QCA guidelines. The Company also publishes a more detailed QCA Statement on its website, which is updated annually and last updated in September 2021. This statement includes more comprehensive disclosures considered to be more appropriate in that format.

Board Composition

As at 31 December 2021, the Board comprised two Executive Directors, a Non-Executive Chairman and two other Non-executive Directors. Details of the current Directors are set out within the List of Directors below. The Board will continue to review its structure in order to provide what it considers to be an appropriate balance of executive and non-executive experience and skills.

The Board considers the following Non-Executive Directors to be independent – Jeremy Martin and Graham Brown. Neither of these directors have been employees, have a significant business relationship or close family ties with related parties or represent significant shareholders. Whilst both of these directors have received options under the company's Share Option Scheme, these are non-material in nature and do not compromise their independence. Peter Secker was originally the appointee of Bacanora Lithium plc under the terms of the relationship agreement entered into as part of the acquisition process in October 2020. This relationship expired on 22 December 2021 when Bacanora distributed its shareholding in Zinnwald to its own shareholders. The Board has asked Mr Secker to remain as a Non-Executive Director to take advantage of his extensive expertise in the lithium industry, his relationships with institutional investors and potential offtakers, as well as his background with the Zinnwald Lithium Project itself.

Board Terms of Reference and Powers

The Board sets the Company's strategic aims and ensures that necessary resources are in place in order for the Company to meet its objectives. All members of the Board take collective responsibility for the performance of the Company and all decisions are taken in the interests of the Company.

The Board has adopted a 'Charter' that sets out the role and responsibility of the Board and the manner in which it will exercise and discharge these duties. The role of the Board is to determine the strategic direction of the Company, regularly review the appropriateness of it and oversee its implementation. It is not the role of the Board to manage the Company itself but rather to monitor the management and performance of the business. It does this in the following areas:

- Board composition and organisation
- Strategy, financial and operational matters
- Financial expenditure
- Shareholder engagement and communications
- Governance and general sustainability (ESG) matters
- Designated positions of responsibility. The roles of management are covered in relation to their interaction with the Board rather than their day-to-day operational tasks.

The Non-Executive Directors have a particular responsibility to challenge constructively the strategy proposed by the Chairman and the Executive Directors; to scrutinise and challenge performance; to ensure appropriate remuneration and that succession planning arrangements are in place in relation to the Executive Directors and other senior members of the management team. The Executive Directors enjoy open access to the Non-Executive Directors with or without the Chairman being present.

Director Commitments

The Executive Directors, Anton du Plessis and Cherif Rifaat, were employed on new contracts as part of the October 2020 re-admission process and full details of these contracts are set out in the October 2020 Admission Document, which is published on the Company's website.

All Non-Executive Directors acknowledge in their letter of appointment that the nature of the role makes it impossible to be specific on maximum time commitment and that at certain times of increased activity, then preparation for and attendance at meetings will increase. All Directors are expected to attend all Board meetings (either in person or by phone), the AGM and committee meetings.

Board Meetings

The Board looks to meet in a formal manner on a quarterly basis, with additional meetings held as required to review the corporate and operational performance of the Group. Each Board Committee has compiled a schedule of work, to ensure that all areas for which the Board has responsibility are addressed and reviewed during the course of the year.

The Chairman, aided by the Company Secretary, is responsible for ensuring that the Directors receive accurate and timely information. The Company Secretary compiles the Board and Committee papers which are circulated to Directors well in advance of all meetings. The Company Secretary provides minutes of each meeting and every Director is aware of the right to have any concerns minuted.

A summary of Board meetings attended in the 12 months to 31 December 2021 is set out below:

	27 Apr	21 Jun	28 Jun	10 Sep	1 Nov	13 Dec	14 Dec
Jeremy Martin	✓	✓	✓	✓	✓	✓	✓
Anton Du Plessis	✓	✓	✓	✓	✓	✓	✓
Cherif Rifaat	✓	✓	✓	✓	✓	✓	✓
Graham Brown	X	✓	✓	✓	✓	✓	✓
Peter Secker	✓	✓	✓	✓	✓	✓	✓

Board Committees

The Board has delegated specific responsibilities to the Audit and Remuneration Committees, details of which are set out below. In November 2021, the Board established a new Sustainability Committee as part of formalising its approach and commitment to Sustainability and ESG matters. Each Committee has written terms of reference setting out its duties, authority and reporting responsibilities. It is intended that these will be kept under continuous review to ensure they remain appropriate and reflect any changes in legislation, regulation or best- practice.

There is currently no internal audit function, given the size of the Group, although the Audit Committee keeps this under annual review.

The Board considers that, at this stage in the Company's development, it is not necessary to establish either a formal nominations or corporate governance committee and that these processes shall be carried out by the Board. This decision will be kept under review by the Directors on an on-going basis.

Audit Committee

The Audit Committee's overall goal is to ensure that the Group adopts and follows a policy of proper and timely disclosure of material financial information and reviews all material matters affecting the risks and financial position of the Group.

The Committee is responsible for overseeing for the Company, major subsidiaries and the Group as a whole, in relation to the following matters:

- Financial reporting;
- Internal control and risk management systems;
- Internal audit function;
- External audit and the relationship with the external auditors; and
- Whistleblower and fraud programme

The Audit Committee meets at least twice a year and comprises independent non-executive Directors only, with the Chief Financial Officer in attendance and not a member. The external auditors may attend all meetings. The Audit Committee currently comprises Graham Brown as Chairman and Jeremy Martin.

Remuneration Committee

The Remuneration Committee assumes general responsibility for assisting the Board in respect of remuneration policies and strategies for the Company and ensuring they are designed to support strategy and promote long-term sustainable success. It ensures that the Company offers competitive remuneration that is aligned to company purpose and values, and clearly linked to the successful delivery of the Group's long-term strategy, whilst remaining financially responsible. It also ensures formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration.

The Committee is be responsible for overseeing for the Company, major subsidiaries and the Group as a whole, in relation to the following matters:

- Remuneration policies, including long and short-term incentives;
- Review of executive management performance and recommendations for incentive awards;
- Annual reporting of the Company's remuneration activities;
- Administration of the New Share Incentive Schemes;
- Company policies regarding pension and other benefits; and
- The engagement and independence of external remuneration advisers.

The Remuneration Committee meets as and when necessary. The Remuneration Committee is comprised exclusively of independent non-executive Directors and currently comprises Graham Brown and Jeremy Martin as Chairman. No Director is permitted to participate in discussions or decisions concerning his own remuneration.

Sustainability Committee

The Committee was established in November 2021 to incorporate and emphasise the Company's commitment to Sustainability and ESG Matters. The Board and Management of the Company are committed to maintaining a high standard of corporate governance. The Company has chosen to adhere to the Quoted Companies Alliance ("QCA") Corporate Governance Guidelines for Small and Mid-Size Companies, which was updated in April 2018 and comprises ten key principles. The purpose of the Sustainability Committee is to provide for the Board's effectiveness and continuing development in meeting these ten principles.

The Committee is also responsible for overseeing, on behalf of the Board, the development, implementation and monitoring of the Company's sustainable development in all its internal policies and operations around the three pillars of the Group's Sustainability framework. These are based on the United Nations' set of 17 Sustainable Development Goals (SDGs), of which for mining companies, the key takeaways are to extract responsibly, waste less, use safer processes, incorporate new sustainable technologies, promote the improved wellbeing of local communities, curb emissions, and improve environmental stewardship.

The Committee is responsible for overseeing for the Company, major subsidiaries and the Group as a whole, the following matters:

- Corporate Governance matters highlighted by the QCA Code.
- Sustainability matters and policies
- Undertake and report on an annual basis an ESG Materiality assessment to identify key issues as the Company moves through its evolution from exploration to construction and into production.
- Reporting of all ESG and Corporate Governance matters in Company publications.

The Sustainability Committee is comprised of Jeremy Martin (Chairman), Graham Brown and Anton du Plessis. Cherif Rifaat has been appointed the Designated Director for Sustainability matters and will report to the Committee. The Committee will meet at least twice per year with the first meeting to take place in the second half of 2022.

Board as a whole

The skills and experience of the Board are set out in their biographical details below. The experience and knowledge of each of the Directors gives them the ability to constructively challenge strategy and to scrutinise performance. The Board believes it has a mix of technical skills (e.g., geologists), sector experience (exploration through to production with resources companies), public company experience and financial expertise to enable it to deliver on its strategy. Whilst there is not currently a balance of genders on the Board, the Company's directors look to appoint individuals with complementary skills and experience to fulfil the Company's strategy, regardless of gender.

The Board does not believe that any of the Directors have too many directorship roles at other listed companies and are hence at risk of "over-boarding" as defined by ISS voting guidelines but will continue to monitor this on an ongoing basis. The Board is satisfied that the Chairman and each of the non-executive Directors is able to devote sufficient time to the Group's business.

The directors keep their skillsets up to date by attending industry and qualification relevant seminars and training sessions.

List of Directors in 2021

Jeremy Martin. Non-Executive Chairman

Mr Martin was one of the original founders of the Company in 2012 and has performed both non-executive director and non-executive chairman roles. He has significant experience in companies involved in mining exploration. He has worked in South America, Central America and Europe, where he was responsible for grassroots regional metalliferous exploration programmes through to resources definition and mine development. Mr Martin has been involved in the formation of a number of publicly listed mineral resource companies. He is currently Chief Executive Officer of Horizonte Minerals Plc, which is at the post feasibility study phase of its nickel project in Brazil. Mr Martin holds a BSc (Hons), MSc, ACSM and MSEG.

Anton du Plessis. Chief Executive Officer

Mr du Plessis joined the Company, originally as Chief Executive Officer, in October 2018. He has over 20 years' experience in the finance sector. During this time, he has held senior positions at several international investment banks including CIBC, Bank of America Merrill Lynch and Morgan Stanley with a focus on advising natural resources companies on the execution of strategic and financing transactions. He has worked on transactions across a range of commodities and for a number of leading global companies including AngloGold Ashanti, Rio Tinto, and BHP Billiton. Prior to embarking on his investment banking career, Mr du Plessis worked for the Anglo American group in a corporate finance and business development capacity.

Cherif Rifaat. Chief Financial Officer

Mr Rifaat has been Chief Financial Officer of the Company since 2017. He is a UK chartered accountant who has more than 20 years of venture capital, corporate finance, operational turnaround and investor relations experience since his qualification with KPMG. He has primarily worked with technology, mining and real estate companies, with an emphasis on those in a start-up, pre-IPO or restructuring phase. He has been a corporate and financial adviser to the lithium mining company, Bacanora, since it listed on AIM in 2014, and is currently its company secretary. Mr Rifaat has been a member of the ICAEW since 1998.

Graham Brown. Non-Executive Director

Mr Brown has served as a non-executive director of the Company since 2017. He has been a Fellow of the Society of Economic Geologists (“SEG”) since 1999, participated in the Colombia Senior Executives programme in 2004 and the Duke Business Leaders programme in 2007. He is a past councillor of the SEG and current British Geological Survey industry adviser and Natural History Museum honorary research fellow. In 2011, he was the co-recipient of the PDAC Thayer Lindsley Award and from 2013 attained both Chartered Geologist and European Geologist professional status. Mr. Brown joined Amax as an exploration geologist in 1980 and worked on a variety of exploration and mining operations in the Circum-Pacific region. For almost a decade Mr. Brown worked as a consultant involved with the exploration and evaluation of a number of major discoveries in both Asia and Europe. In 1994, he joined Minorco as Chief Geologist. Subsequently, he became the Europe-Asia region’s Vice President Exploration and following the Minorco-Anglo American plc merger in 1999, he served as Vice President Geology. In 2003 he was appointed Senior Vice President Exploration and managed geosciences, technical services, and R&D programs. In 2005 he was promoted to Head of Base Metals Exploration and in 2010 he took up the position of Group Head of Geosciences for the Anglo American Group. He is currently a senior adviser to Appian Capital, a prominent private equity fund focussed on mining. Mr Brown holds a BSc. from the University of Strathclyde, Glasgow.

Peter Secker. Non-Executive Director

Mr Secker is Chief Executive of Bacanora. He is a mining engineer with over 35 years’ experience in the resources industry. During his career, he has built and operated a number of mines and metallurgical processing facilities in Africa, Australia, China and Canada. His operating and project experience spans a number of commodities, including titanium, copper, iron ore, gold and lithium. For the past 15 years, Mr Secker has been Chief Executive of a number of publicly listed companies in Canada, the UK and Australia.

Board Advice during the year

During the year, the Board did not commission any external advice for its own matters.

Internal Advisory roles

Senior Independent Director

Due to the size of the company, the Board does not feel it necessary to appoint a Senior Independent Director.

Company Secretary

The CFO undertakes the joint role of company secretary, as the Board does not feel the size of the company warrants an independent person.

Annual Board appraisal

In accordance with current best practice and the QCA Code, the Board conducts an annual formal evaluation of its performance and effectiveness and that of each Director and its Committees. This is conducted during the year by way of interviews with the Chairman. In addition, the Non-Executive Directors will meet, informally, without the Chairman present and evaluate his performance. The Board currently considers that the use of external consultants to facilitate the Board evaluation process is unlikely to be of significant benefit to the process, although the option of doing so is kept under review.

Ongoing Board Development

The Executive Directors are subject to the Company’s annual review process through which their performance against predetermined objectives is reviewed, as part of the new incentive scheme review, as well as their personal and professional development needs considered.

Non-executive Directors are encouraged to raise any personal development or training needs with the Chairman or through the Board evaluation process.

The Company Secretary ensures that all Directors are kept abreast of changes in relevant legislation and regulations, with the assistance of the Company’s advisers where appropriate.

Succession Planning

The Board has a minuted emergency succession plan for the Senior Management Team. On an ongoing basis, board members maintain a watching brief to identify relevant internal and external candidates who may be suitable additions to or backup for current board members.

Engagement with all shareholders
The Board attaches great importance to providing shareholders with clear and transparent information on the Group's activities, strategy and financial position. General communication with shareholders is co-ordinated by the Chairman, CEO and CFO.

The Company publishes on its website the following information, which the Board believes plays an important part in presenting all shareholders with an assessment of the Group's position and prospects:

- The Company's latest Investor presentation
- The Company's most up to date technical reports on each of its projects;
- Annual and Half-Yearly Financial Statements;
- All company press releases issued under the RNS service;
- Notice of any General Meetings will be posted on the website as well as announced via RNS;
- Details on the results of all resolutions put to a vote at the most recent AGM;
- Contact details including a dedicated email address (info@zinnwaldlithium.com) through which investors can contact the Company; and
- The results of voting on all resolutions in future general meetings will be posted to the Group's website, including any actions to be taken as a result of resolutions for which votes against have been received from at least 20 per cent. of independent shareholders'

The Company's Annual General Meeting (AGM) will generally be held in London in June following the publication of its annual results and all shareholders are ordinarily invited to attend.

Institutional Investors
In general, the Board maintains a regular dialogue with its institutional investors, providing them with such information on the Company's progress as is permitted within the guidelines of the AIM rules, MAR and requirements of the relevant legislation. The Company typically holds meetings with institutional investors and other large shareholders following the release of interim and financial results.

Private Investors
The Company is committed to engaging with all shareholders and not just institutional shareholders. As the Company is too small to have a dedicated investor relations department, the Chief Executive Officer is responsible for reviewing all communications received from shareholders and determining the most appropriate response. The Chief Executive Officer works in conjunction with the Company's public relations advisers to facilitate engagement with its shareholders

Board review
The Board as a whole is kept informed of the views and concerns of major shareholders by briefings from the CEO, Chairman and the Company's Broker.

Audit Committee Report

Part 1 - Background Statement from the Chairman

On behalf of the Board, I am pleased to present this report on behalf of the Audit Committee (the "Committee"), covering the activities for the twelve months ended 31 December 2021.

During 2021, the Committee's agenda has continued to be built around its primary key recommendations to the Board being the Annual Budget, Review and Approval of the Audited Annual Financial Statements and the review of the half year results. As well as the ongoing reporting requirements, the Committee has also paid close attention to the cash flow requirements of the Group to ensure that the Company maintains a tight control on expenditure and remains well financed.

The Committee is responsible for assuring accountability and effective corporate governance over the Company's financial reporting, including the adequacy of related disclosures, the internal financial control environment and the processes in place to monitor this. The Committee is also responsible for assessing the quality of the audit performed by and the independence of the auditor

Part 2 – Matters for consideration in 2021

Significant issues and judgements

In considering the financial results contained in the 2021 Annual Report and Financial Statements, the Audit Committee reviewed the significant issues and judgements made by management in determining those results. A summary of these issues is detailed below:

Accounting Issue	**Summary**	**Key Action Points by Committee**
Accounting for Transactions Acquisition of remaining 50% of Deutsche Lithium ("DL").	Accounting for the ownership of only 50% of DL for the first half of 2021 under IFRS 10 and IAS 28. With effect from the completion of the acquisition of the remaining 50%, the "step acquisition" under IFRS 3 and impact on revaluation, goodwill and ongoing consolidation.	Review of accounting treatment as proposed by CFO and agreed with the auditor.
Critical Judgement and estimates Impairment assessment of Abbeytown Project	Review of impairment indicators under IFRS 6 resulted in recommendation of full impairment of Abbeytown assets	Review of estimates and accounting treatment prepared by CFO. Recommended to the Board to fully impair the asset.
Going concern Accounting basis of preparation	Reviewed detailed budget and cashflow forecasts for 2022-23 and whether it is prudent to account on a going concern basis under IAS 1.	Review and interrogation of cashflow forecasts prepared by management; consideration of existing cash balances and exploration plans for 2022. Recommended approval of the Budget and the Going Concern basis of preparation.
Risk Management Process Continued development of the risk management process	The Company has updated its risk register and is developing a long-term control framework for the management and mitigation of risk.	Review of updated risk register. The Risk control process will continue to be monitored over the coming period.

External auditor

The Company's external auditor, PKF Littlejohn LLP ("PKF") presented their detailed audit plan and final audit findings and recommendations for the twelve months ended 31 December 2021. The Committee agreed with the audit approach at the planning stage and agreed with the materiality thresholds, identification of the key risk areas and significant judgements and estimates.

The Committee and the Board monitored the auditor's objectivity and independence. The Committee and the Board was satisfied that PKF and the Group have appropriate policies and procedures in place to ensure that these requirements are not compromised in the interim accounts review and the year-end audit.

There was no material non-audit work carried out by PKF during the period with the only work being the tax advisory work to assist with the Company's annual returns. Note 7 to the Consolidated Financial Statements provides full details of fees paid during the period.

Whistle blower process

One of the Committee's key delegated responsibilities is to oversee the whistle blower policy and process. The Company is committed to conducting its business with honesty and integrity and expect all staff to maintain high standards in accordance with its Code of Conduct. However, all organisations face the risk of things going wrong from time to time, or of unknowingly harbouring illegal or unethical conduct. A culture of openness and accountability is essential in order to prevent such situations occurring and to address them when they do occur. To that end the Audit Committee and the Board approved an updated group policy at the time of the RTO in October 2020. The Committee continues to monitor this process and the consideration on when the Company's scale of operations will require a dedicated independent whistle blower hotline.

Internal Auditor

The requirement for the appointment of an internal auditor has been assessed by the Committee and the Board; the level of spend and complexity of the operations being taken into account when considering this decision. To date, the Board has decided that an internal audit function is not required but will continue to assess the situation on a regular basis.

Going Concern

The Directors considered it appropriate to continue to adopt the going concern basis of accounting in preparing the Consolidated Financial Statements. The going concern statement is detailed in full in Note 1 to the Consolidated Financial Statements.

For and on behalf of the Audit Committee

Graham Brown
Chairman of Audit Committee
21 February 2022

Remuneration Committee report

Part 1 - Background Statement from the Chairman

On behalf of the Board, I am pleased to present the Directors' Remuneration Report summarising the Company's remuneration policy and providing information on the Company's remuneration approach and arrangements for Executive Directors, Non-Executive Directors (NEDs) and senior executive management for the year ended 31 December 2021.

This report is prepared in accordance with the Quoted Companies Alliance (QCA) Remuneration Committee Guide for small and mid-sized quoted companies, revised in 2016. A summary of the Remuneration Committee's role, membership and relevant qualifications can be found in the corporate governance section herein or the QCA statement on the website.

Remuneration Committee meetings are ordinarily held at least twice a year with the primary focus of setting goals for the coming period and then assessing results at the end of that period. During the year, the Remuneration Committee did not meet, as the performance targets had been set at the time of the RTO in October 2020. The Committee has met twice since the year end to review and score the targets for the first performance periods for the new RSU and PSU schemes, as well as to set targets for the second performance periods for both schemes.

Part 2 - Summary of basic remuneration structures in 2021

Remuneration for Executive Directors and Senior Management

All Executive Directors are paid a fixed annual salary and, subject to meeting appropriate targets within their scorecard, are included in the new share-based incentive plans noted below. Prior to the completion of the RTO in October 2020, any share-based awards were made under the 2017 Option Scheme. The new short term RSU and long-term PSU incentive schemes came into effect from 1 October 2020 and were formally approved by shareholders at the October 2020 GM as part of the approval of the RTO.

Executive Director Service Contracts and Salaries for the periods covered by this report:

Name	Anton du Plessis	Cherif Rifaat
Role	CEO	CFO
Annual Salary as at 31 December 2021	[1] £240,000	[3] £100,000
Annual Salary as at 31 December 2020	£200,000	£100,000
Notice period	6 months	6 months
Cash Bonus paid as at 31 December 2021	[2] £100,000	Nil
Awards under historic schemes		
Options – issued in December 2017	Nil	800,000
Awards under new incentive schemes		
RSUs – Related to 1st performance period from 1 Oct'20 to 31 Dec'21	1,305,249	604,282
PSUs – Related to 1st performance period from 1 Oct'20 to 31 Dec'21	n/a	n/a

[1] Effective 1 July 2021, as per the terms of his contract signed in October 2020, Mr Du Plessis's contract automatically increased to £240,000 upon successful completion of the Company gaining control of 100% of Deutsche Lithium and the Company's market capitalisation having doubled since readmission. Effective 1 January 2022, his basic annual salary was increased by 5% in line with inflation.

[2] The Company awarded Mr Du Plessis a one-off discretionary cash bonus of £100,000 relating to achievements made in advancing the Company and the Zinnwald Project in 2021.

[3] Effective 1 January 2022, the Company increased the minimum time requirement for Mr Rifaat from 50% to 70% of his overall working time to reflect his expanded workload and the stage of development of the Zinnwald Project.

For details of Executive Directors emoluments, please refer to Note 33 to the Consolidated Financial Statements for the Euro total remuneration for the year ended 31 December 2021 compared with the year ended 31 December 2020. The salaries noted above represented the contractual base salaries.

Remuneration of Non-Executive Directors
All Non-Executive Directors entered into appointment letters at the time of the RTO in October 2020 on a fixed annual fee basis. The table below showing the key terms of their appointment letters:

Name	Roles	Notice	Annual Fees FY 2021	Annual Fees FY 2020
Independent Non-Executive Directors				
Jeremy Martin [1]	Non-Executive Chairman of the Board Chairman of the Remuneration Committee Chairman of the Sustainability Committee	6 months	£50,000	£50,000
Graham Brown [2]	Non-Executive Director Chairman of the Audit Committee	3 months	£30,000	£30,000
Non-independent Non-Executive Directors				
Peter Secker [3]	Non-Executive Director	3 months	£1	£1

[1] Effective 1 January 2022, Mr Martin's annual Director's fee was increased to £65,000 to reflect the expanded workload required by the Company now that it owns 100% of the Zinnwald Project.

[2] Effective 1 January 2022, Mr Brown's annual Director's fee was increased to £40,000 to reflect the expanded workload required by the Company now that it owns 100% of the Zinnwald Project.

[3] Mr Secker was originally the appointee of Bacanora Lithium plc under the terms of the relationship agreement entered into as part of the RTO in October 2020. This relationship expired on 22 December 2021 when Bacanora distributed its shareholding in Zinnwald to its own shareholders. The Board asked Mr Secker to remain as a Non-Executive Director to take advantage of his extensive expertise in the lithium industry, his relationships with institutional investors and potential offtakers, as well as his background with the Zinnwald Lithium Project itself. Effective 1 January 2022, Mr Secker's annual Director's fee was increased to £40,000

For details of Non-Executive Directors emoluments, please refer to Note 33 to the Consolidated Financial Statements for the Euro total remuneration for the year ended 31 December 2021 compared with the year ended 31 December 2020. The salaries noted above represented the contractual base salaries.

Part 3 - 2017 Option Scheme
Historically, the incentive component of remuneration for all Executives, Directors, Employees and Consultants was the long-term Option schemes put in place at the time of the Company's original IPO on AIM in November 2017. The basic terms of this scheme were as follows:

- Options vest one third on date of grant, one third after 6 months, one third after 12 months;
- Options expire 90 days after recipient ceases to be a Director, office, employee or consultant, unless the Board specifically agrees in writing otherwise; and
- Options expire on the fifth anniversary of the date of grant, if unexercised.

The Table below shows all existing Options to Directors as at 31 December 2021. For further detail on all Options please refer to Note 25 to the Consolidated Financial Statements:

Name	Date of grant	Vested Options	Unvested Options	Expiry Date	Exercise Price
Executive Directors					
Cherif Rifaat	21 Dec'17	800,000	-	20 Dec'22	£0.10
Non-Executive Directors					
Jeremy Martin	21 Dec'17	150,000	-	20 Dec'22	£0.08
Jeremy Martin	21 Dec'17	100,000	-	20 Dec'22	£0.10
Jeremy Martin	29 Oct'20	100,000	-	28 Oct'25	£0.05
Graham Brown	21 Dec'17	100,000	-	20 Dec'22	£0.10
Graham Brown	29 Oct'20	100,000	-	28 Oct'25	£0.05

Whilst with effect from the completion of the RTO in October 2020, Executive Management participate in the new incentive schemes (see sections 4 and 5 below), all eligible Employees, Consultants and Non-Executive Directors continue to participate in the 2017 Option Scheme. In January 2022, the Company announced the grant of 4,000,000 new Options primarily to Deutsche Lithium Employees and Consultants to the Company. The Company amended the vesting terms for these new Options to 1/3 on grant. 1/3 after 12 months and 1/3 after 24 months. All other scheme rules remained the same. The Table below summarises the awards.

Name	Date of Grant	Options	Expiry Date	Exercise Price
Employees and Consultants	15 Jan'22	3,450,000	15 Jan'27	£0.1810
Jeremy Martin	15 Jan'22	250,000	15 Jan'27	£0.1810
Graham Brown	15 Jan'22	150,000	15 Jan'27	£0.1810
Peter Secker	15 Jan'22	150,000	15 Jan'27	£0.1810

Part 4 – New Short Term RSU Incentive Scheme ("RSU Scheme")

Scheme Rules

With effect from 1st October 2020 the Company adopted the RSU Scheme for Executive Management. The key features of this scheme were detailed in both the October 2020 AIM Admission document and Notice of GM, at which the scheme was approved by shareholders, as well as the Company's 2020 Annual Report. The key terms of the RSU scheme are as follows:

- Rolling 3 year total scheme, comprising 1 year performance and 2 years vesting;
- Awarded RSUs automatically vest on the 2-year anniversary of grant and are taxed through payroll;
- Value on vesting is the number of RSUs x share price on date of vesting;
- Company has sole discretion to make any net after tax payout in Cash or Shares;
- Awarded RSUs cannot vest early, unless there is a change in control; and
- Standard good-leaver / bad-leaver provisions, Malus and Claw-back.

All awards granted under the RSU Scheme are subject to annual performance criteria set by the Remuneration Committee each financial year, relating to each eligible employee's performance against personal, financial, strategic and 'Environmental, Social, and Corporate Governance' ("ESG") metrics. Each eligible person is set a minimum performance threshold which must be satisfied to trigger any issuance of RSUs ("Threshold"). In addition, a base target ("Target") and maximum amount ("Maximum") are also set. The Company calculates any awards under the RSU Scheme based on a percentage of base salary as recommended by the Remuneration Committee at the start of the period and based on the 5 Day VWAP share price at the end of a performance period.

Awards for first performance period

The first performance period ran for a slightly longer period than normal from 1 October 2020 until 31 December 2021. The original Maximum percentage of base salary had been set at 60%, but the Remuneration Committee reviewed the Executives performance and used its discretion under the Scheme rules to recommend a payout based on 70% of salary. The table below details the awards based on the Company's 5 Day VWAP price of 14.48p.

Name	Role	No of RSUs	Grant Date	Vesting Date
Anton du Plessis	CEO	1,305,249	15 January 2022	15 January 2024
Cherif Rifaat	CFO	604,282	15 January 2022	15 January 2024

Second performance period

The second performance period will run from 1 January 2022 until 31 December 2022. The maximum percentage of base salary has been set at 100% with a clear recommendation that no higher pay-outs will be made regardless of any super performance.

Part 5 – New Long Term PSU Incentive Scheme ("PSU Scheme")

Scheme Rules

With effect from 1st October 2020 the Company adopted the PSU Scheme for Executive Management. The key features of this scheme were detailed in both the October 2020 AIM Admission document and Notice of GM, at which the scheme was approved by shareholders, as well as the Company's 2020 Annual Report. The key terms of the PSU scheme are as follows:

- Rolling 5-year total scheme, comprising 3 year performance and 2 years vesting;
- Awarded PSUs vest on the 2-year anniversary of grant, but exercise is at the discretion of the recipient, and on exercise are taxed through payroll;
- Value on vesting is the number of PSUs x share price on date of vesting;
- Awarded RSUs cannot vest early, unless there is a change in control; and
- Standard good-leaver / bad-leaver provisions, Malus and Claw-back

All awards granted under the PSU Scheme were to be subject to three-year performance criteria set by the Remuneration Committee each financial year, relating to objective corporate metrics as follows:

- 'Relative Total Shareholder Return ("RTSR")' against the peer group (see below); and
- Any additional objective goals relating to corporate strategy for the three-year measurement period, if deemed appropriate at the beginning of the period.

Each eligible person is set a (i) minimum performance threshold which must be satisfied in order to trigger any issuance of PSUs to them ("Threshold"). In addition, a base target ("Target") and maximum amount ("Maximum") will also be set. Performance criteria for RTSR shall be calculated as Maximum being in the top quartile relative to the peer group, Target being in the top half and Threshold being in the third quartile. The maximum potential payout of PSUs is calculated at the start of a performance period, based on a fixed % of salary and the share price at the start of the period.

Awards for first performance period

The first performance period runs from 1 October 2020 to 31 December 2023. In terms of any eventual PSU payouts, the share price at the start of the period was 5p, being the RTO price, and the Committee recommended a maximum payout of 100% of base salary for potential pay-outs of PSUs. The agreed primary performance metrics were:

- 50% based on 'Relative Total Shareholder Return ("RTSR")' against the peer group (see below). IN terms of assessing the RTSR payout, the objective criteria were agreed as:
    - Below Threshold (Bottom quartile) – no PSUs issued
    - Equal to Threshold (3rd quartile, ie above 7th ranked peer). PSUs = 25% of RTSR Maximum
    - Equal to Target (2nd quartile, ie above 5th ranked peer). PSUs = 50% of RTSR Maximum
    - Equal to Maximum (1st quartile, ie above 3rd ranked peer). PSUs = 100% of RTSR Maximum
- 50% based on Zinnwald securing ownership of 100% of the Zinnwald Lithium Project

The recommended Peer Group for the first performance period was set as follows:

Name	Code	Project type, Location	% Share Price growth 1 Oct'20 to 31 Dec'21
Zinnwald Lithium	ZNWD.L	Hard Rock, Germany	190%
Vulcan Energy	VUL.AX	DLE Brine, Germany	815%
Kodal Minerals	KOD.L	Spodumene, Mali	291%
Critical Elements	CRE.V	Spodumene, Canada	256%
European Metals Holdings	EMH.L	Hard Rock, Czech Republic	209%
Bacanora Lithium	BCN.L	Clay. Mexico,	196%
European Lithium	EUR.AX	Hard Rock, Austria	151%
Savannah Resources	SAV.L	Spodumene, Portugal	123%
Infinity Lithium	INF.AX	Hard Rock, Spain	102%

In terms of potential payouts under this first performance period, it is clearly too early to fully assess the performance against RTSR. Although based purely on share price growth, Zinnwald is currently in the third quartile. However, the Executives have clearly satisfied the strategic goal of securing 100% of the Zinnwald Project and accordingly will eventually receive a minimum payout in January 2024 of 2,000,000 PSUs for Anton du Plessis and 1,000,000 PSUs for Cherif Rifaat, provided that they satisfy the general scheme rules noted above.

Performance criteria for the second performance period

The second performance period runs from 1 January 2022 to 31 December 2024. In terms of any eventual PSU payouts, the share price at the start of the period was 14.48p, being the 5 Day VWAP, and the Committee recommended a maximum payout of the following % of base salary for potential pay-outs of PSUs.

- Base Case - 100% of Base Salary
- Medium Case - 200% of Base Salary, if the Share Price stays above 50p for a material period
- High Case - 300% of Base Salary, if Share Price stays above £1 for a material period

The agreed primary performance metrics were:

- 50% based on 'Relative Total Shareholder Return ("RTSR")' against the peer group (see below). IN terms of assessing the RTSR payout, the objective criteria were agreed as:
    - Below Threshold (Bottom quartile) – no PSUs issued
    - Equal to Threshold (3rd quartile, ie above 7th ranked peer). PSUs = 25% of RTSR Maximum
    - Equal to Target (2nd quartile, ie above 5th ranked peer). PSUs = 50% of RTSR Maximum
    - Equal to Maximum (1st quartile, ie above 3rd ranked peer). PSUs = 100% of RTSR Maximum
- 50% based on Zinnwald securing ownership of 100% of the Zinnwald Lithium Project
    - Delivery of a JORC compliant Feasibility Study for Lithium Hydroxide, which is to be a sufficient basis on which to proceed to project financing with a view to entering production.
    - To have made significant progress on key access agreements, key project permits and licenses.

The Peer Group for the second performance period shall remain the same as that of the first performance period, aside from Bacanora Lithium Plc shall be replaced by Atlantic Lithium.

For and on behalf of the Remuneration Committee

Jeremy Martin
Chairman of Remuneration Committee
21 February 2022

Opinion

We have audited the financial statements of Zinnwald Lithium Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Group Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group and Company Statements of Changes in Equity, the Group and Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those 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 group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included an evaluation of management's assessment and a review of management's budget and cash flow forecasts prepared up to 31 August 2023. This included the analysis of qualitative and quantitative aspects within management's assessments.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our application of materiality

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures. Group and parent company materiality was €460,000 (2020: €220,000) and €105,000 (2020: €195,000) respectively, based on 2% of gross assets for the group and 10% of loss before tax for the period for the parent company. We have applied a separate materiality to balances on the statement of financial position for the parent only of €450,000 which was based on 2% of gross assets. The prior period materiality for the parent company of €195,000 was applied across all balances.

The increase in asset-based materiality from the prior period reflects the additional investment in Deutsche Lithium Gmbh which has led to this entity being consolidated at year end. From a group perspective the key benchmark is gross assets, given that current and potential investors will be most interested in the recoverability of the exploration and evaluation assets. From a parent company perspective, the key benchmark is the loss for the year when demonstrating effective working capital and cost management, whilst an asset based benchmark was considered appropriate for testing balance sheet items which have increased significantly due to the additional investment in Deutsche Lithium Gmbh in the year.

Component materiality for all entities within the group was set lower than our overall group materiality and ranged from €4,000 to €280,000. Performance materiality for the group, and all significant components including the parent company, was set at 60% of overall materiality.

We agreed with the audit committee that we would report all audit differences identified during our audit in excess of €23,000 (2020: €11,000).

Our approach to the audit

Our audit is risk based and is designed to focus our efforts on the areas at greatest risk of material misstatement, aspects subject to significant management judgement as well as greatest complexity, risk and size.

In designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. The recoverability of intangible assets, the remeasurement of the initial 50% investment in joint venture and the valuation of share-based payments were assessed as areas which involved significant accounting estimates and judgements by management. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud. All significant and / or material components were audited directly without the use of component auditors.

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 and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. 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.

Key Audit Matters	How our scope addressed this matter
Valuation and recoverability of intangible assets (refer note 15) There is a risk that intangible fixed assets may be materially misstated due to expenditure being incorrectly capitalised in the year (not in accordance with IFRS 6), or due to the carrying value of the intangible assets exceeding their recoverable amount. With the exception of the newly acquired lithium project, all of the group’s exploration projects are at an early stage of development, therefore independently prepared resource estimates are not available to enable value in use calculations. The group is therefore reliant on the consideration of impairment indicators per IFRS 6 which requires estimation and judgement. The independently prepared resource estimates and expected value in use calculation for the Zinnwald lithium project, which is currently under development, requires judgement and estimation. Management has outlined their key judgements and sources of estimation uncertainty in note 2 of the financial statements.	Our work in this area included: ▪ Agreeing additions during the year to invoice/supporting documentation; ensuring that the expenditure is eligible to be capitalised in accordance with IFRS 6; ▪ Assessing management's impairment review, taking into account both internal and external indicators and impairment indicators per IFRS 6; ▪ Verifying title to project licenses and compliance with the terms therein; ▪ Assessing progress on the exploration projects during the year; and ▪ Ensuring licenses are still valid and that any performance conditions / minimum expenditure requirements were met during the year. We consider that management’s estimation and judgement in this area was reasonable, and no further impairment was identified in addition to that currently recognised in the financial statements for the Ireland and Sweden based projects.

Accounting for the acquisition of Deutsche Lithium GmbH (refer note 17) During the year, the group purchased an additional 50% share in Deutsche Lithium from SolarWorld AG. This resulted in the entity becoming a wholly owned subsidiary of the group, having previously been equity accounted as a 50% owned joint venture. There is a risk that the transaction has not been appropriately accounted for and disclosed in accordance with IFRS 3 'Business combinations', together with the terms of the purchase agreement, including an evaluation of the fair value of assets and liabilities acquired and remeasurement of the previously owned equity accounted investment. Management has set out their analysis of the accounting for the investment in note 1.1, 1.2 and note 2, which outlines their judgements and key areas of estimation uncertainty.	Our work in this area included: ▪ Reviewing the terms within the purchase agreement; ▪ Testing the acquisition date net asset position of Deutsche Lithium Gmbh, together with a review of the fair value allocated to acquired assets and liabilities; ▪ Evaluating management's assumptions and judgements in the remeasurement of the initial investment in joint venture at the date control was achieved, including checking the mathematical accuracy of the gain; and ▪ Assessment of any material differences between German GAAP and UK-adopted international accounting standards. We are satisfied that management has correctly accounted for and disclosed the business combination.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent company financial statements, the directors are responsible for assessing the group's and the parent 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 directors either intend to liquidate the group or the parent company or to cease operations, or have 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 ISAs (UK) 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, as well as the application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from the Companies Act 2006, international accounting standards, AIM regulations and the operating terms set out in the exploration licenses.We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to specific enquiries of management, reviewing board minutes and any legal or regulatory compliance correspondence.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to specific enquiries of management, reviewing board minutes and any legal or regulatory compliance correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, whether key accounting estimates and judgements could include management bias. We addressed these risks by challenging the assumptions and judgements made by management when auditing significant accounting estimates. Refer to the key audit matters section above.
- We addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business, as well as discussions with management where relevant.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: *www.frc.org.uk/auditorsresponsibilities*. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

PKF Littlejohn LLP

David Thompson (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
21 February 2022

15 Westferry Circus
Canary Wharf
London E14 4HD

ZINNWALD LITHIUM PLC

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

Continuing operations	**Notes**	**31 December 2021 €**	**31 December 2020 €**
Cost of sales		(46,096)	(56,540)
Exploration projects impairment		(1,583,566)	(592,465)
Administrative expenses		(1,076,438)	(690,356)
Other operating income		779	-
RTO costs		-	(839,940)
Share based payments charge	**25**	(7,779)	(3,725)
Operating loss	**5**	(2,713,100)	(2,183,026)
Revaluation gain on joint venture	**7**	1,038,252	-
Share of loss of joint venture	**10**	(52,911)	(32,579)
Finance income	**9**	455	367
Loss before taxation		(1,727,304)	(2,215,238)
Tax on loss	**12**	-	-
Loss for the financial year	**30**	(1,727,304)	(2,215,238)
Other comprehensive income		181	19
Total comprehensive loss for the year		(1,727,123)	(2,215,219)
Earnings per share from continuing operations attributable to the owners of the parent company	**13**		
Basic (cents per share)		(0.74)	(3.50)
Diluted (cents per share)		(0.74)	(3.50)

Total loss and comprehensive loss for the year is attributable to the owners of the parent company.

ZINNWALD LITHIUM PLC

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	31 December 2021 €	31 December 2020 €
Non-current assets			
Intangible assets	**14**	16,165,085	1,546,111
Property, plant and equipment	**15**	48,621	3,662
Investments using equity method	**16**	-	3,852,083
		16,213,706	5,401,856
Current assets			
Trade and other receivables	**21**	121,845	170,926
Cash and cash equivalents	**20**	8,291,991	4,846,527
		8,413,836	5,017,453
Total assets		24,627,542	10,419,309
Current liabilities			
Current tax liabilities		23,802	-
Trade and other payables	**22**	614,858	58,833
		638,660	58,833
Net current assets		7,775,176	4,958,620
Total liabilities		638,660	58,833
Total assets less current liabilities		23,988,882	10,360,476
Deferred tax liability	**23**	(1,382,868)	-
Net assets		22,606,014	10,360,476
Equity			
Share capital	**27**	3,316,249	2,278,155
Share premium	**28**	20,289,487	7,362,699
Other reserves	**29**	822,781	814,821
Retained earnings	**31**	(1,822,503)	(95,199)
Total equity		22,606,014	10,360,476

The financial statements were approved by the board of directors and authorised for issue on 21 February 2022 and are signed on its behalf by:

....

Jeremy Martin Cherif Rifaat

Director **Director**

Company Registration No. 10829496

ZINNWALD LITHIUM PLC

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	31 December 2021 €	31 December 2020 €
Non-current assets			
Property, plant and equipment	**15**	3,302	3,662
Investments	**16**	14,523,375	4,021,173
		14,526,677	4,024,835
Current assets			
Trade and other receivables	**21**	1,233,814	1,941,736
Cash and cash equivalents		7,998,680	4,842,854
		9,232,494	6,784,590
Total assets		23,759,171	10,809,425
Current liabilities			
Trade and other payables	**22**	270,430	53,021
		270,430	53,021
Net current assets		8,962,064	6,731,569
Total liabilities		270,430	53,021
Net assets		23,488,741	10,756,404
Equity			
Share capital	**27**	3,316,249	2,278,155
Share premium	**28**	20,289,487	7,362,699
Other reserves		134,049	126,089
Retained earnings	**31**	(251,044)	989,461
Total equity		23,488,741	10,756,404

As permitted by s408 Companies Act 2006, the company has not presented its own income statement. The company's loss for the period was €1,240,505 (2020: loss of €1,503,479).

The financial statements were approved by the board of directors and authorised for issue on 21 February 2022 and are signed on its behalf by:

....
Jeremy Martin
Director

....
Cherif Rifaat
Director

Company Registration No. 10829496

ZINNWALD LITHIUM PLC

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital €	Share premium account €	Other reserves €	Retained earnings €	Total €
Balance at 1 January 2020		351,133	4,151,045	811,077	(1,820,744)	3,492,511
Year ended 31 December 2020:						
Loss for the year		-	-	-	(2,215,238)	(2,215,238)
Other comprehensive income:						
Currency translation difference		-	-	19	-	19
Total comprehensive income for the year		-	-	19	(2,215,238)	(2,215,219)
Conversion of share premium to retained profits		-	(4,431,671)	-	4,431,671	-
Issue of share capital	**27**	1,927,022	7,643,325	-	-	9,570,347
Dividend in specie		-	-	-	(490,888)	(490,888)
Credit to equity for equity settled share-based payments	**26**	-	-	3,725	-	3,725
Total transactions with owners recognised directly in equity		1,927,022	3,211,654	3,725	3,940,783	9,083,184
Balance at 31 December 2020 and 1 January 2021		2,278,155	7,362,699	814,821	(95,199)	10,360,476
Year ended 31 December 2021:						
Loss for the year		-	-	-	(1,727,304)	(1,727,304)
Other comprehensive income:						
Currency translation differences		-	-	181	-	181
Total comprehensive income for the year		-	-	181	(1,727,304)	(1,727,123)
Issue of share capital	**27**	1,038,094	13,217,816	-	-	14,255,910
Share issue costs		-	(291,028)	-	-	(291,028)
Credit to equity for equity settled share-based payments	**26**	-	-	7,779	-	7,779
Total transactions with owners recognised directly in equity		1,038,094	12,926,788	7,779	-	13,972,661
Balance at 31 December 2021		3,316,249	20,289,487	822,781	(1,822,503)	22,606,014

ZINNWALD LITHIUM PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital €	Share premium €	Other reserves €	Retained earnings €	Total €
Balance at 1 January 2020		351,133	4,151,045	122,345	(1,447,843)	3,176,680
Year ended 31 December 2020:						
Loss for the year		-	-	-	(1,503,479)	(1,503,479)
Other comprehensive income:						
Currency translation differences		-	-	19	-	19
Total comprehensive income for the year		-	-	19	(1,503,479)	(1,503,460)
Conversion of share premium to retained profits		-	(4,431,671)	-	4,431,671	-
Issue of share capital	**27**	1,927,022	7,643,325	-	-	9,570,347
Dividends in specie		-	-	-	(490,888)	(490,888)
Credit to equity for equity settled share-based payments	**26**	-	-	3,725	-	3,725
Total transactions with owners recognised directly in equity		1,927,022	3,211,654	3,725	3,940,783	9,083,184
Balance at 31 December 2020 and 1 January 2021		2,278,155	7,362,699	126,089	989,461	10,756,404
Year ended 31 December 2021:						
Loss for the year		-	-	-	(1,240,505)	(1,240,505)
Other comprehensive income:						
Currency translation differences		-	-	181	-	181
Total comprehensive income for the year		-	-	181	(1,240,505)	(1,240,324)
Issue of share capital	**27**	1,038,094	13,217,816	-	-	14,255,910
Issue costs		-	(291,028)	-	-	(291,028)
Credit to equity for equity settled share-based payments	**26**	-	-	7,779	-	7,779
Total transactions with owners recognised directly in equity		1,038,094	12,926,788	7,779	-	13,972,661
Balance at 31 December 2021		3,316,249	20,289,487	134,049	(251,044)	23,488,741

ZINNWALD LITHIUM PLC

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	€	Year ended 31 December 2021 €	€	Year ended 31 December 2020 €
Cash flows from operating activities					
Cash used in operations	**34**		(495,174)		(1,711,087)
Net cash outflow from operating activities			(495,174)		(1,711,087)
Cash flows from investing activities					
Investment in Deutsche Lithium as Joint		(735,800)		(199,000)	
Purchase of remaining 50% of Deutsche		(1,500,000)		-	
Cash acquired on purchase of Deutsche		486,213		-	
Exploration expenditure in Germany		(948,157)		-	
Exploration expenditure in Ireland and		(37,455)		(227,130)	
Purchase of property, plant and equipment		(8,437)		(3,885)	
Proceeds on disposal of property, plant and equipment		-		5,300	
Interest received		455		367	
Net cash used in investing activities			(2,743,181)		(424,348)
Cash flows from financing activities					
Proceeds from issue of shares		6,927,255		5,884,685	
Share issue costs		(243,436)		-	
Equity subscription in Erris Gold Resources		-		(400,000)	
Net cash generated from financing activities			6,683,819		5,484,685
Net increase in cash and cash equivalents			3,445,464		3,349,250
Cash and cash equivalents at beginning of			4,846,527		1,497,277
Cash and cash equivalents at end of year			8,291,991		4,846,527

ZINNWALD LITHIUM PLC

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes		Year ended 31 December 2021		Year ended 31 December 2020
		€	€	€	€
Cash flows from operating activities					
Cash used in operations	**35**		(609,438)		(1,893,000)
Net cash used in operating activities			(609,438)		(1,893,000)
Cash flows from investing activities					
Investment in Deutsche Lithium as Joint Venture		(735,800)		(199,000)	
Purchase of remaining 50% of Deutsche Lithium		(1,500,000)		-	
Purchase of property, plant and equipment		(498)		(3,885)	
Interest received		455		367	
Net cash used in investing activities			(2,235,843)		(202,518)
Cash flows from financing activities					
Proceeds from issue of shares		6,927,255		5,884,685	
Share issue costs		(243,436)		-	
Loans to group undertakings		(682,712)		-	
Equity subscription in Erris Gold Resources		-		(400,000)	
Net cash generated from financing activities			6,001,107		5,484,685
Net increase in cash and cash equivalents			3,155,826		3,389,167
Cash and cash equivalents at beginning of year			4,842,854		1,453,687
Cash and cash equivalents at end of year			7,998,680		4,842,854

1 Accounting policies

Company information

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

The Company name was changed from Erris Resources Plc to Zinnwald Lithium Plc by a special resolution approved by shareholders at the General Meeting held on 26 October 2020.

The group consists of Zinnwald Lithium Plc and its subsidiaries as detailed in Note 17.

1.1 Basis of preparation

These financial statements have been prepared in accordance with UK-adopted International Accounting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS (except as otherwise stated).

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 its expenditure, including funding provided to Deutsche Lithium, is denominated in this currency. Monetary amounts in these financial statements are rounded to the nearest €.

The € to GBP exchange rate used for translation as at 31 December 2021 was 1.18981.

The consolidated financial statements have been prepared under the historical cost convention, unless stated otherwise within the accounting policies. The principal accounting policies adopted are set out below.

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 1 January 2021 to 24 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 24 June 2021, the Company now consolidates the full results of Deutsche Lithium. Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date.

Zinnwald Lithium Plc was incorporated on 21 June 2017. On 1 December 2017, Zinnwald Lithium Plc acquired the entire issued share capital of Erris Resources (Exploration) Ltd by way of a share for share exchange. This transaction was treated as a group reconstruction and accounted for using the reverse merger accounting method.

All financial statements are made up to 31 December 2021. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

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 Accounting policies

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the group and company have adequate resources to continue in operational existence for the foreseeable future. The Company had a cash balance of €8.3m at the year end and keeps a tight control over all expenditure. Thus, the going concern basis of accounting in preparing the Financial Statements continues to be adopted.

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 assets

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 and Company 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:

Leasehold land and buildings	
Plant and equipment	25% on cost
Fixtures and fittings	25% on cost
Computers	25% on cost
Motor vehicles	

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 Accounting policies

1.6 Non-current investments

In the parent company financial statements, investments in subsidiaries and joint ventures are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

1.7 Impairment of non-current assets

At each reporting period end date, the group reviews 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 group estimates 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.

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

1.9 Financial assets

Financial assets are recognised in the group's and company's statement of financial position when the group and company become party to the contractual provisions of the instrument.

Financial assets are classified into specified categories at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss. The classification of financial assets at initial recognition that are debt instruments depends on the financial assets cash flow characteristics and the business model for managing them.

Financial assets are initially measured at fair value plus transaction costs. In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are "solely payments of principal and interest SPPI" on the principal amount outstanding.

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. The group's and company's financial assets at amortised cost comprise trade and other receivables and cash and cash equivalents.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

1 Accounting policies

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Financial liabilities

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee’s services are received.

Termination benefits are recognised immediately as an expense when the group and company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1 Accounting policies

1.13 Equity

Share capital

Ordinary shares are classified as equity.

Share premium

Share premium represents the excess of the issue price over the par value on shares issued. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Merger reserve

A merger reserve was created on purchase of the entire share capital of Erris Resources (Exploration) Ltd which was completed by way of a share for share exchange and which has been treated as a group reconstruction and accounted for using the reverse merger accounting method.

Share-based payment reserve

The share-based payment reserve is used to recognise the fair value of equity-settled share-based payment transactions.

1.14 Share-based payments

Equity-settled share-based payments with employees and others providing services are measured at the fair value of the equity instruments at the grant date. Fair value is measured by use of an appropriate pricing model. Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services, except where the fair value cannot be estimated reliably, in which case they are valued at the fair value of the equity instrument granted.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

1.15 Foreign exchange

Foreign currency transactions are translated into the functional currency using the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in administrative expenses in the income statement for the period.

The financial statements are presented in the functional currency of Euros, since the majority of exploration expenditure is denominated in this currency.

1.16 Exceptional items

Items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the group. They are items that are material, either because of their size or nature, or that are non-recurring.

1 Accounting policies

1.17 Joint Arrangements

Up to 24 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 uses 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, has been recognised in profit or loss. The net fair value of the identifiable assets and liabilities have been 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.

1.18 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer, who is considered to be the group's chief operating decision-maker ('CODM').

1.19 New standards, amendments and interpretations not yet adopted

There were no new standards or amendments to standards adopted by the group and company during the year which had a material impact on the financial statements.

At the date of approval of these financial statements, the following standards and amendments were in issue but not yet effective, and have not been early adopted:

- IFRS 3 amendments - Business Combinations (effective 1 January 2022)
- IAS 16 amendments – Property, Plant and Equipment* (effective 1 January 2022)
- IAS 37 amendments – Provisions, Contingent Liabilities and Contingent Assets* (effective 1 January 2022),
- IAS 1 amendments - Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current*
- IAS 1 amendments – Presentation of Financial Statements: Disclosure of Accounting Policies*, and
- IAS 8 amendments – Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*
- Annual Improvements to IFRS Standards 2018-2020 Cycle* (effective 1 January 2022).

*subject to UK endorsement

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group or company.

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.

Share-based payments

Estimating fair value for share based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity settled transactions with employees at the grant date, the Group and Company use the Black Scholes model.

Joint venture investment

The Group applies IFRS 11 to all joint arrangements and classifies 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

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 2021 of €186,995 (2020: €1,546,111). Ordinarily, Management tests annually whether capitalised exploration costs have a carrying value in accordance with the accounting policy stated in note 1.6. 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 €1,581,677 (2020: €477,595).

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 (2020: €114,870).

3 Financial Risk and Capital Risk Management

The Group's and Company's activities expose it to a variety of financial risks: market risk (primarily currency risks), credit risk and liquidity risk. The overall risk management programme focusses on currency and working capital management.

Foreign Exchange Risk

The Company operates internationally and is exposed to foreign exchange risk arising from one main currency exposure, namely GBP for its Head Office costs and the value of its shares for fund-raising and Euros for a material part of its operating expenditure. The Group's Treasury risk management policy is currently to hold most of its cash reserves in GBPs and to match as promptly as possible its Euro expenditures on its commitments in Germany.

Credit and Interest Rate Risk

The Group and Company have no borrowings and a low level of trade creditors and have minimal credit or interest rate risk exposure.

Working Capital and Liquidity Risk

Cashflow and working capital forecasting is performed in the operating entities of the Group and consolidated at a Group level basis for monthly reporting to the Board. The Directors monitor these reports and rolling forecasts to ensure the Group has sufficient cash to meet its operational needs. The Board has a policy of maintaining at least a GBP 0.5m cash reserve headroom. Aside from its commitments under the Deutsche Lithium Joint Venture, the Group has no other material fixed cost overheads other than Director costs

4 Segmental reporting

The Group operates principally in the UK and Germany with a largely dormant subsidiary in Ireland. Activities in the UK include the Head Office 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 are reported on a fully consolidated basis.

	Non-Core Assets	Germany	UK	Total
	2021	2021	2021	2021
	€	€	€	€
Cost of sales and administrative	(6,270)	(151,979)	(1,206,383)	(1,364,632)
Share based payments charge	-	-	(7,779)	(7,779)
Project Impairment	(1,583,566)		-	(1,583,566)
Gain/loss on foreign exchange	(1)		242,099	242,098
Other operating income	-	779	1,038,707	1,039,486
Share of loss from joint venture	-	(52,911)	-	(52,911)
Profit/(loss) from operations per reportable segment	(1,589,837)	(204,111)	66,644	(1,727,304)
Reportable segment assets	15,144	16,242,874	8,369,525	24,627,543
Reportable segment liabilities	-	1,664,143	357,386	2,021,529

	Non-Core Assets	Germany	UK	Total
	2020	2020	2020	2020
	€	€	€	€
Cost of sales and administrative	(64,358)	-	(1,451,017)	(1,515,375)
Share based payments charge	-	-	(3,725)	(3,725)
Project Impairment	(592,465)	-	-	(592,465)
Gain/loss on foreign exchange	(3,503)	-	(67,958)	(71,461)
Other operating income	-	-	367	367
Share of loss from joint venture	-	(32,579)	-	(32,579)
Profit/(loss) from operations per reportable segment	(660,326)	(32,579)	(1,522,333)	(2,215,238)
Reportable segment assets	1,565,029	-	8,854,280	10,419,309
Reportable segment liabilities	-	-	58,833	58,833

Non-Core Assets includes Ireland, Scandinavia, Finland and Scotland. Ireland is the only one with material balances within this category and makes up a majority of the balances.

5 Operating loss

	Group	
	2021	2020
	€	€
Operating loss for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(242,098)	71,461
Depreciation of owned property, plant and equipment	7,077	244
Profit on disposal of property, plant and equipment	-	(5,300)
Amortisation of intangible assets	829	-
Ireland and Sweden exploration projects impairment	1,583,566	592,465
RTO costs	-	839,940
Share-based payments	7,779	3,725
Operating lease charges	39,098	40,942
Exploration costs expensed	143,735	64,358

6 Auditor's remuneration

	2021	2020
Fees payable to the company's auditor and associates:	€	€
For audit services		
Audit of group, parent company and subsidiary undertakings	41,952	31,164
For other services		
Taxation compliance services	3,500	3,799
Reporting accountant work for the Admission Document	-	61,205
	3,500	65,004

7 Other gains and losses

	2021	2020
	€	€
Gain on re-measurement of initial 50% interest in Deutsche Lithium	1,038,252	-

8 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group		Company	
	2021	2020	2021	2020
	Number	Number	Number	Number
Directors	5	5	5	5
Employees	6	3	-	-
	11	8	5	5

Their aggregate remuneration comprised:

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Wages and salaries	870,447	416,827	589,688	283,159
Social security costs	111,925	40,941	71,302	27,723
Pension costs	38,005	12,399	38,005	12,099
	1,114,135	470,167	698,995	322,981

Aggregate remuneration expenses of the group include €225,499 (2020: €150,583) of costs capitalised and included within non-current assets of the group.

Aggregate remuneration expenses of the company include €nil (2020: €3,397) of costs capitalised and included within non-current assets of the group.

Directors' remuneration is disclosed in note 33.

9 Finance income

	Group	
	2021	2020
	€	€
Interest income		
Interest on bank deposits	455	367

10 Share of results in Joint Venture

	Group	
	2021	2020
	€	€
Share of Loss in Joint Venture	(52,911)	(32,579)
	(52,911)	(32,579)

11 Impairments

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

	Notes	2021 €	2020 €
In respect of:			
Intangible assets	**14**	1,583,566	592,465
Recognised in:			
Administrative expenses		1,583,566	592,465

The impairment losses in respect of financial assets are recognised in other gains and losses in the income statement.

12 Taxation

The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	Group	
	2021	2020
	€	€
Loss before taxation	(1,727,304)	(2,215,238)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(328,188)	(420,895)
Disallowable expenses	11,531	166,486
Non-taxable gains	(197,268)	-
Unutilised tax losses carried forward	513,925	254,409
Taxation (credit)/charge for the year	-	-

Losses available to carry forward amount to €3,730,000 (2020: €2,316,000). No deferred tax asset has been recognised on these losses, as the probability of available future taxable profits is not currently quantifiable.

13 Earnings per share

	2021 Number	2020 Number
Weighted average number of ordinary shares for basic earnings per share	232,669,857	63,203,583
Effect of dilutive potential ordinary shares:		
- Weighted average number of outstanding share options	2,265,890	3,183,333
Weighted average number of ordinary shares for diluted earnings per share	234,935,747	66,386,916
Earnings	€	€
Continuing operations		
Loss for the period from continuing operations	(1,727,304)	(2,215,238)
Earnings for basic and diluted earnings per share attributable to equity shareholders of the company	(1,727,304)	(2,215,238)
Earnings per share for continuing operations		
Basic and diluted earnings per share	-	-
Basic earnings per share	(0.74)	(3.50)
Diluted earnings per share	(0.74)	(3.50)

There is no difference between the basic and diluted earnings per share for the period ended 31 December 2021 or 2020 as the effect of the exercise of options would be anti-dilutive.

14 Intangible fixed assets

Group	Goodwill	Germany Exploration and Evaluation costs	Ireland Exploration and Evaluation costs	Sweden Exploration and Evaluation costs	Total
	€	€	€	€	€
Cost					
At 1 January 2020			1,895,332	107,002	2,002,334
Additions - group funded			128,374	7,868	136,242
At 31 December 2020	-	-	2,023,706	114,870	2,138,576
Revaluation - on acquisition of subsidiary	1,038,252	-	-	-	1,038,252
Additions - on acquisition of subsidiary	4,493,222	8,303,416	-	-	12,796,638
Reallocated to Germany E&E assets	(5,531,474)	5,531,474	-	-	-
Deferred tax provision on fair value	-	1,382,868	-	-	1,382,868
Additions - group funded	-	948,156	35,566	1,889	985,611
At 31 December 2021	-	16,165,914	2,059,272	116,759	18,341,945
Amortisation and impairment					
At 1 January 2021	-	-	477,595	114,870	592,465
Amortisation charged for the year	-	829	-	-	829
Project impairment	-	-	1,581,677	1,889	1,583,566
At 31 December 2021	-	829	2,059,272	116,759	2,176,860
Carrying amount					
At 31 December 2021	-	16,165,085	-	-	16,165,085
At 31 December 2020	-	-	1,546,111	-	1,546,111

Intangible assets comprise capitalised exploration and evaluation costs (direct costs, licence fees and fixed salary / consultant costs) of the Zinnwald Lithium project in Germany, as well as the now fully impaired Ireland Zinc and Sweden Gold Projects.

14 Intangible fixed assets

Company

	Ireland Exploration and Evaluation costs	Sweden Exploration and Evaluation costs	Total
	€	€	€
Cost			
A 1 January 2020	116,887	17,491	134,378
Additions - group funded	(116,887)	(17,491)	(134,378)
At 31 December 2021	-	-	-
Amortisation and impairment			
At 1 January 2021 and 31 December 2021	-	-	-
Carrying amount			
At 31 December 2021	-	-	-
At 31 December 2020	-	-	-

15 Property, plant and equipment

Group

	Leasehold land and buildings	Fixtures, fittings and equipment	Motor vehicles	Total
	€	€	€	€
Cost				
At 1 January 2021	-	14,769	-	14,769
Additions - on acquisition of subsidiary	9,817	1,175	32,427	43,419
Additions - group	-	8,437	-	8,437
Exchange adjustments	-	261	-	261
At 31 December 2021	9,817	24,381	32,427	66,886
Depreciation and impairment				
At 1 January 2021	-	11,107	-	11,107
Depreciation	-	1,956	5,122	7,078
Exchange adjustments	-	80	-	80
At 31 December 2021	-	13,063	5,122	18,265
Carrying amount				
At 31 December 2021	9,817	11,499	27,305	48,621

15 Property, plant and equipment

Company	Computers
	€
Cost	
At 1 January 2021	3,906
Additions	498
Exchange adjustments	261
At 31 December 2021	4,665
Depreciation and impairment	
At 1 January 2021	244
Depreciation charged in the year	1,040
Exchange adjustments	80
At 31 December 2021	1,364
Carrying amount	
At 31 December 2021	3,301
At 31 December 2020	3,662

16 Fixed asset investments

		Group		Company	
		2021	2020	2021	2020
	Notes	€	€	€	€
Investments in subsidiaries	17	-	-	14,523,375	169,090
Investments in joint ventures		-	3,852,083	-	3,852,083
		-	3,852,083	14,523,375	4,021,173

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

16 Fixed asset investments

Movements in non-current investments
Group

	Shares in group undertakings and participating interests
	€
Cost	
At 1 January 2021	3,852,083
Additions	735,800
Share of loss	(52,911)
Reclassified on consolidation of Deutsche Lithium	(4,534,972)
At 31 December 2021	-
Carrying amount	
At 31 December 2021	-
At 31 December 2020	3,852,083

Movements in non-current investments
Company

	Shares in group undertakings	Other investments	Total
	€	€	€
Cost			
At 1 January 2021 and 31 December 2021	169,090	3,852,083	4,021,173
Additions	14,354,285	-	14,354,285
Disposals	-	(3,852,083)	(3,852,083)
At 31 December 2021	14,523,375	-	14,523,375
Carrying amount			
At 31 December 2021	14,523,375	-	14,523,375
At 31 December 2020	169,090	3,852,083	4,021,173

16.1 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.

16 Fixed asset investments

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

16.2 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

16.3 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.

16 Fixed asset investments

16.4 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.

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
	14,354,286
Fair value of net assets acquired in Deutsche Lithium as at 24 June 2021	(8,822,812)
Goodwill – allocated to Deutsche Lithium intangible exploration assets	5,531,474

17 Subsidiaries

Details of the company's subsidiaries as at 31 December 2021 are as follows:

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

On 1 December 2017, Zinnwald Lithium Plc acquired the entire issued share capital of Deutsche Lithium Holdings Ltd (formerly Erris Resources (Exploration) Ltd) by way of a share for share exchange. This transaction has been treated as a group reconstruction and accounted for using the reverse merger accounting method. Its registered office address is 29-31 Castle Street, High Wycombe, Bucks, HP13 6RU.

On 26 February 2018, Zinnwald Lithium Plc acquired the entire issued share capital of Erris Zinc Limited on incorporation. Erris Zinc Limited is a company registered in Ireland. Its registered office address is The Bungalow, Newport Road, Castlebar, Co. Mayo. F23YF24.

On 29 October 2020, Zinnwald Lithium Plc acquired 50% of the issued share capital of Deutsche Lithium GmbH (“Deutsche Lithium”). On 24 June 2021, the Company acquired the remaining 50% of the issued share capital of Deutsche Lithium. Deutsche Lithium is a company registered in Germany. Its registered office is at Am St Niclas Schacht 13, 09599, Freiberg, Germany.

18 Trade and other receivables - credit risk

Fair value of trade and other receivables
The directors consider that the carrying amount of trade and other receivables is equal to their fair value.

No significant balances are impaired at the reporting end date.

19 Financial instruments

	Group 2021 €	Group 2020 €	Company 2021 €	Company 2020 €
Financial assets at amortised cost				
Trade and other receivables	121,845	170,926	1,233,814	1,941,736
Cash and bank balances	8,291,991	4,846,527	7,998,680	4,842,854
	8,413,836	5,017,453	9,232,494	6,784,590
Financial liabilities at amortised cost				
Trade and other payables	614,859	58,833	270,430	53,021
	614,859	58,833	270,430	53,021

20 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. On completion of the acquisition of the remaining 50% of Deutsche Lithium in June 2021, the JV Agreement was cancelled and the charge over the company's bank account removed. There are no other securities remaining over any Group assets.

21 Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
Amounts falling due within one year:	€	€	€	€
Amounts owed by group undertakings	-	-	1,179,869	1,792,292
Other receivables	83,982	133,459	21,891	111,977
Prepayments and accrued income	37,863	37,467	32,054	37,467
	121,845	170,926	1,233,814	1,941,736

Other receivables primarily comprise VAT recoverable, which were received following the year end.

The carrying amounts of the Group and Company's trade and other receivables are denominated in the following currencies:

	Group		Company	
	2021	2020	2021	2020
Euros	63,591	19,672	156,367	-
British Pounds	58,254	151,254	1,077,447	1,941,736
	121,845	170,926	1,233,814	1,941,736

22 Trade and other payables

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Trade payables	313,391	14,108	66,498	12,767
Other taxation and social security	23,802	-	23,802	-
Other payables	13,509	-	-	-
Accruals and deferred income	287,958	44,725	180,130	40,254
	638,660	58,833	270,430	53,021

All Trade payables have been settled since the year end.

The carrying amounts of the Group and Company's current liabilities are denominated in the following currencies:

	Group		Company	
	2021	2020	2021	2020
Euros	330,443	914	-	914
British Pounds	308,217	57,919	270,430	52,107
	638,660	58,833	270,430	53,021

23 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

	Liabilities 2021	Liabilities 2020
Group	€	€
Deutsche Lithium intangible assets – fair value adjustment	1,382,868	-

The deferred tax liability set out above relates to a 25% provision made on the fair value uplift of the company's acquisition of control of Deutsche Lithium GmbH.

24 Retirement benefit schemes

	2021	2020
Defined contribution schemes	€	€
Charge to profit or loss in respect of defined contribution schemes	38,005	12,099

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

25 Share based Incentives

The Directors believe that the success of the Group will depend to a significant degree on the performance of the Group's senior management team. The Directors also recognise the importance of ensuring that the management team are well motivated and identify closely with the success of the Group. The Company adopted an initial Share Option Plan in December 2017 and will continue to issue options to key employees, consultants and Non-Executive Directors. In October 2020, the Company's shareholders approved two additional new short-term and long-term incentive schemes for Executive Management, the key terms of which are detailed in the Remuneration Committee report.

25.1 Share Option Plan (2017)

Movements in the number of share options, under the Share Option Plan (2017), outstanding and their related weighted average exercise prices are as follows:

	Year ended 31 December 2021		Year ended 31 December 2020	
	Average Exercise Price in £ per Share	Options Number	Average Exercise Price in £ per Share	Options Number
At beginning of the period	£0.091	3,350,000	£0.094	3,550,000
Granted	-	-	-	-
Lapsed	£0.100	(300,000)	£0.085	(400,000)
Exercised	£0.088	(1,150,000)		
At end of period	£0.092	1,900,000	£0.094	3,150,000
Exercisable at the period end		1,900,000		3,150,000
Weighted average remaining exercise period, years		1.27		2.96

Option Classification

Issue Date	No of Options	Exercise Price	Expiry Date
1 Mar 2014	300,000	£0.08	20/12/2022
1 Feb 2017	300,000	£0.10	20/12/2022
21 Dec 2017	1,100,000	£0.10	20/12/2022
29 Oct 2020	200,000	£0.05	28/10/2025
	1,900,000	£0.092	

25.2 RSU Scheme (2020)

The first awards of RSUs under the new scheme were made on 15 January 2022 relating to the initial performance period from 1 October 2020 to 31 December 2021. A total of 1,909,531 RSUs were issued, which will be included on the register for next year's disclosure.

The next awards of RSUs will be made in January 2023 relating to the second performance period from 1 January 2022 to 31 December 2022.

25 Share based Incentives

25.3 – PSU Scheme (2020)
The first awards of PSUs under the new scheme are expected to be issued in January 2024, based on the initial performance period from 1 October 2020 to 31 December 2023. The maximum potential issuance under the first performance period is 6.000,000 PSUs, if all performance metrics are achieved.

The second awards of PSUs will be made in January 2025 relating to the second performance period from 1 January 2022 to 31 December 2024.

26 Share-based payment transactions

	Group 2021 €	2020 €	Company 2021 €	2020 €
Expenses recognised in the year				
Options issued under the Share Option Plan (2017)	7,779	3,725	7,779	3,725

Awards made under the new RSU and PSU scheme will be expensed over the relevant vesting periods for each scheme. The first RSU awards were made in January 2022 and will expensed over 2022 and 2023. The first PSU awards will be made in January 2024 and will expensed over 2024 and 2025.

27 Share capital

	Group and company 2021 €	2020 €
Ordinary share capital		
Issued and fully paid		
293,395,464 ordinary shares of 1p each	3,316,249	2,278,155
	3,316,249	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 year:

	Ordinary Number	Ordinary €
Ordinary shares of 1p each		
At 1 January 2021	204,455,957	2,278,155
Issue of fully paid shares (cash subscription)	38,939,511	455,609
Issue of fully paid shares (consideration for shares in DL)	49,999,996	582,485
At 31 December 2021	293,395,464	3,316,249

28 Share premium account

	Group 2021 €	2020 €	Company 2021 €	2020 €
At beginning of year	7,362,699	4,151,045	7,362,699	4,151,045
Issue of new shares	13,114,010	7,643,325	13,114,010	7,643,325
Exercise of share options	103,806		103,806	
Share issue expenses	(291,028)	-	(291,028)	-
Cancellation of share premium	-	(4,431,671)	-	(4,431,671)
At end of period	20,289,487	7,362,699	20,289,487	7,362,699

In 2020, the Company's share premium account was cancelled by Special Resolution and by Court Order on 15 September 2020 and the funds were converted to retained earnings.

29 Other reserves

Group	Merger reserve €	Share based payment reserve €	Translation reserve €	Total €
At 1 January 2020	688,732	122,345	-	811,077
Additions	-	3,725	19	3,744
At 31 December 2020	688,732	126,070	19	814,821
Additions	-	7,779	181	7,960
At 31 December 2021	688,732	133,849	200	822,781

A merger reserve was created in 2017 on the purchase of the entire share capital of Erris Resources (Exploration) Ltd (now renamed Deutsche Lithium Holdings Ltd) which was completed by way of a share for share exchange and which has been treated as a group reconstruction and accounted for using the reverse merger accounting method.

30 Financial commitments, guarantees and contingent liabilities

Bacanora Royalty Agreement

The Company and Bacanora entered into on completion of the Acquisition a royalty agreement which provides, that the Company agrees to pay Bacanora a royalty of 2 per cent. of the net profit received by the Company pursuant to its 50 per cent. shareholding in Deutsche Lithium and earned in relation to the sale of lithium products or minerals by Deutsche Lithium's projects on the Zinnwald and Falkenhain licence areas. The royalty fee shall be paid in Euros and paid by Deutsche Lithium half yearly. The agreement is for an initial term of 40 years and shall automatically extend for additional 20-year terms until mining and processing operations cease at Deutsche Lithium's projects at the Zinnwald and Falkenhain licence areas. The Company has undertaken to Bacanora to abide by certain obligations in relation to Deutsche Lithium's projects at the Zinnwald and Falkenhain licence areas such as complying with applicable laws and ensure that these projects are operated in accordance with the underlying licences and concessions granted to Deutsche Lithium. The Company shall have the right, but not the obligation, to extinguish at any time its right to pay a royalty fee to Bacanora prior to the expiry of the term by paying a one-off payment of €2,000,000. Whilst the Directors acknowledge this contingent liability, at this stage, it is not considered that the outcome can be considered probable or reasonably estimable and hence no provision has been made in the financial statements.

Whilst the Directors acknowledge this contingent liability, at this stage, it is not considered that the outcome can be considered probable or reasonably estimable and hence no provision has been made in the financial statements. The Directors note that the Royalty is only applicable to 50% of Deutsche Lithium's production and does not apply to the additional 50% of Deutsche Lithium acquired by the Company in June 2021. The Directors also note that the Royalty obligation will remain due to Bacanora after the completion of the acquisition of Bacanora by Ganfeng Lithium Limited.

Osisko Royalty Agreements

Deutsche Lithium Holdings Ltd ("DLH", formerly Erris Resources (Exploration) Ltd ("ERL") entered into Osisko Royalty Agreement 1 with Osisko on 16 September 2016 pursuant to which it granted a royalty to Osisko for a 1 per cent. net smelter return on the sale or disposition of all minerals provided from the Abbeytown Project. The royalty is based on published spot prices in relation to minerals delivered for processing and actual amounts received where raw ore or concentrates are sold. Osisko shall be entitled to elect to receive the royalty on precious metals in kind rather than cash. This royalty was granted to Osisko in consideration of Osisko's payment of C$500,000 to DLH. The royalty is perpetual and as such the agreement (and obligation on DLH to pay the royalty) shall continue indefinitely. Whilst the Directors acknowledge this contingent liability, at this stage, it is not considered that the outcome can be considered probable or reasonably estimable and hence no provision has been made in the financial statements.

ERL entered into Osisko Royalty Agreement 2 with Osisko on 16 September 2016 pursuant to which it granted a royalty to Osisko for a 1 per cent. net smelter return on the sale or disposition of all minerals provided from the Swedish properties (originally including Käringberget, Klippen, Nottjärn and Vaikijaur but, as at the date of this document, only Brännberg) licensed by ERL. The royalty also extends to any other mining rights ERL acquires or holds (or from time to time comes to acquire or hold) in Sweden and so applies to all exploration permits currently held in Sweden by ERL. The royalty is based on published spot prices in relation to minerals delivered for processing and actual amounts received where raw ore or concentrates are sold. Osisko shall be entitled to elect to receive the royalty on precious metals in kind rather than cash. This royalty was granted to Osisko in consideration of Osisko's payment of C$250,000 to Erris Resources UK. The royalty is perpetual and as such the agreement (and obligation on ERL to pay the royalty) shall continue indefinitely. Whilst the Directors acknowledge this contingent liability, at this stage, it is not considered that the outcome can be considered probable or reasonably estimable and hence no provision has been made in the financial statements. The Directors also note that the Company surrendered all licenses in Sweden in 2021 and have no plans to acquire any further licenses in Sweden.

Neither of the Osisko royalties apply to the Zinnwald Lithium project.

30 Financial commitments, guarantees and contingent liabilities

Grundtrask Acquisition Agreement

On 13 October 2016, the Company entered into an asset purchase agreement with Beowulf Mining Sweden AB ("Beowulf") pursuant to which the Company purchased exploration rights for the areas known as Grundsträsk nr 6 and Grundträsk nr 7 (together with all information relating thereto) from Beowulf. The consideration of US$200,000 will become payable subject to the Company announcing JORC indicated resource of 100,000 troy ounces of gold, together with a further amount of $2 per troy ounce on the announcement of indicated resource subject to a JORC indicated resource of at least 1 million troy ounces. Pursuant to this agreement, the Company is obliged to grant to Beowulf a royalty under which it is paid 1 per cent. of the net smelting revenue generated by the Company on any gold produced from the property. This royalty shall continue indefinitely unless the Company "buys out" the royalty by payment of US$2,000,000 to Beowulf. Whilst the Directors acknowledge this contingent liability, at this stage, it is not considered that the outcome can be considered probable or reasonably estimable and hence no provision has been made in the financial statements. The Company surrendered all license areas in Sweden during 2021, including Grundsträsk nr 6 and Grundträsk nr 7, and accordingly the Company considers its obligations under this Royalty to have expired.

31 Retained earnings

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
At the beginning of the year	(95,199)	(1,820,744)	989,461	(1,447,843)
Conversion of share premium	-	4,431,671	-	4,431,671
Loss for the year	(1,727,304)	(2,215,238)	(1,240,505)	(1,503,479)
Dividends in specie	-	(490,888)	-	(490,888)
At the end of the year	(1,822,503)	(95,199)	(251,044)	989,461

32 Events after the reporting date

The assessment of the COVID-19 situation continues to evolve, as the changes to the COVID-19 virus and lock-down impacts continue. The success of the long-term vaccination programme has improved matters in the UK and Europe. This will continue to have some implications for the operations of the Group in the future, for example through restricting travel movements internationally and domestically and therefore delaying development activities. Due to the nature of present activities, the impact has been minimal to date. Management will continue to assess the impact of COVID-19 on the Group and Company, however, it is not possible to quantify the impact, if any, at this stage.

On 17 January 2022, the Company announced the grant of 1,909,530 Restricted Stock Units (RSUs) and 4,000,000 Options. The RSUs were issued to Executive Management under the RSU Scheme approved by shareholders in October 2020 and related to the first performance period from 1st October 2020 to 31st December 2021. The Options were primarily issued to Employees and Consultants under the terms of the Option Scheme approved by shareholders in 2017.

33 Related party transactions

Remuneration of key management personnel
The remuneration of key management personnel is as follows.

	2021			2020		
	Remuneration	**Pension**	**Share Option Charge**	**Remuneration**	**Pension**	**Share Option Charge**
	€	**€**	**€**	**€**	**€**	**€**
Jeremy Martin	58,289	-	3,889	36,664	-	1,863
Anton du Plessis	375,454	26,128	-	118,453	6,588	-
Cherif Rifaat	116,578	11,877	-	78,969	5,511	-
Graham Brown	34,974	-	3,890	28,767	-	1,862
Jeremy Taylor-Firth	-	-	-	20,306	-	-
Peter Secker	-	-	-	-	-	-
	585,295	38,005	7,779	283,159	12,099	3,725

Transactions with related parties
During the year the group entered into the following transactions with related parties:

	Consultancy and expenses	
	2021	**2020**
	€	**€**
Group		
Erris Gold Resources	14,289	-
Key management personnel	-	50,648
Company		
Key management personnel	-	15,585

Aggregate consultancy and expenses include €nil (2020: €26,123) of costs capitalised and included within non-current assets. There were no amounts outstanding at the year end.

Henry Maxey, a substantial shareholder in the Company, entered into an agreement with the Company (the "Commitment Agreement") to subscribe for New Ordinary Shares in the December 2021 Placing for up to a value of £4.0 million. The Board considered that the Commitment Agreement was an important factor in the Placing proceeding and, as part thereof, therefore issued 258,064 New Ordinary Shares to Mr Maxey, equivalent to approximately £40,000 at the Placing Price.

34 Cash (used in)/generated from group operations

	2021 €	2020 €
Loss for the year after tax	(1,727,304)	(2,215,238)
Adjustments for:		
Investment income	(455)	(367)
Gain on disposal of property, plant and equipment	-	(5,300)
Impairment of intangible assets in Ireland and Sweden	1,583,566	592,465
Depreciation and impairment of property, plant and equipment	7,906	243
Gain on remeasurement of initial interest in Joint Venture	(1,038,252)	-
Share of loss of Joint Venture	52,911	32,579
Equity-settled share-based payment expense	7,779	3,725
Movements in working capital:		
Decrease/(increase) in trade and other receivables	79,969	(135,629)
Increase in trade and other payables	538,706	16,435
Cash used in operations	(495,174)	(1,711,087)

35 Cash (used in) / generated from operations - company

	2021 €	2020 €
Loss for the year after tax	(1,240,505)	(1,503,479)
Adjustments for:		
Investment income	(455)	(367)
Group loan impairments	1,298,726	
Gain on remeasurement of initial interest in Joint Venture	(1,038,252)	-
Depreciation and impairment of property, plant and equipment	1,039	243
Share of loss of Joint Venture	52,911	32,579
Equity-settled share-based payment expense	7,779	3,725
Movements in working capital:		
Decrease/(increase) in trade and other receivables	27,400	(507,137)
Increase in trade and other payables	281,919	81,436
Cash used in operations	(609,438)	(1,893,000)