

**ZINNWALD LITHIUM PLC**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

ZINNWALD LITHIUM PLC  
COMPANY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2022

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ZINNWALD LITHIUM PLC  
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ZINNWALD LITHIUM PLC  
CHAIRMAN'S STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2022

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As the largest provider of climate financing in the world, the EU, together with its member states, is focused on facilitating a green transition and tackling the adverse effects of climate change. However, its planned reforms are simply not possible without the rapid transition to electric vehicles and a large scale build out of energy storage capacity. Central to this is an order of magnitude increase in the supply of batteries.

The need to source a supply of critical materials that support green energy technologies from within the continent is clear. This was highlighted by European Commission president Ursula von Leyden who said in her October 2022 State of the Union address, "lithium and rare earths are already replacing gas and oil at the heart of our economy". Accordingly, a new Critical Raw Material Act (the "CRMA") was introduced on 16 March 2023 to address risks to supply and advance new domestic mining projects. The CRMA proposes a comprehensive set of actions to ensure the European Union's access to a secure, diversified, affordable and sustainable supply of critical raw materials, including lithium. The CRMA also sets clear benchmarks for domestic capacities along the strategic raw material supply chain and to diversify EU supply including at least 10% of the EU's annual consumption for extraction and 40% for processing.

This bodes well for Zinnwald as it develops its 100% owned integrated lithium hydroxide ('LiOH') project in Germany positioned to support the European battery storage and EV manufacturing sectors from the end of 2026.

Having proved the viability of LiOH production in March 2022, as well as the potential to produce economically significant amounts of commercially saleable by-products, our focus then turned to the re-design of the Project that culminated in the publishing of a PEA that fully described the new technical plan for the Project in September. This reported positive economics: pre-tax NPV8 of US\$1,605m, IRR of 39.0%, \$192m EBITDA and a payback of just 3.3 years.

The PEA emphasised other positive attributes of the Project including its location in a mining district at an historic underground mine with existing infrastructure, availability of skilled labour, and support of the Saxony authorities and local community. Furthermore, it highlighted the Project's strong ESG credentials with the potential to be a zero-waste project with high-demand by-products including fertiliser, limited water use, and low-cost sustainable mining strategy focused on minimising CO2 emissions.

We are now seeking to further optimise the Project's economics by evaluating the potential to increase the mining rate resulting in higher lithium product output. During 2022, the relevant approvals required to commence two drilling campaigns were sought and subsequently granted enabling the start of an infill drill campaign at the key Zinnwald Lithium Deposit in July, and an exploration drill campaign at one of our satellite deposits, Falkenhain, in September. Initial results from these programmes indicate the potential for an increased resource at Zinnwald and the potential for significant lithium resources at Falkenhain which could represent possible feed material for the core project. The data acquired will be collated to optimise the mining plan and fed into the Bankable Feasibility Study ('BFS'), which we currently anticipate publishing towards the end of the year.

In tandem, other sizeable work programmes are underway to refine and optimise our plans including the development of processing technologies, continued Environmental Impact Assessment ('EIA') and other permit application processes, the evaluation of options for the construction strategy and further work/negotiations on infrastructure aspects of the Project.

### **Corporate**

Today we have announced a major milestone in the development of the Company in the securing of our first industrial cornerstone investor, AMG Advanced Metallurgical Group ("AMG"). As part of a wider placing, to be done at a material premium to our current share price, we will raise a minimum of £14m and AMG will acquire a 25% stake in Zinnwald. This is a significant endorsement of our strategy to have AMG as a partner, which is one of the most advanced Lithium companies in both Germany and the wider EU. We are also pleased that our existing substantial shareholders, Henry Maxey and Mark Tindall have all elected to subscribe to maintain their shareholdings.

At the start of 2023 we appointed Tamesis Partners as joint corporate broker and financial adviser. Tamesis has initiated research coverage of the Company. We look forward to working with Tamesis to broaden our interaction with institutional investors focused on the mining space.

In addition, we were pleased to announce that we have entered into an agreement with Ocean Partners Ltd for it to acquire our subsidiary Erris Zinc Ltd, which owns the Abbeytown Project, in return for a royalty and future cash payment once Abbeytown goes into production. As we previously stated, our core focus is on the Zinnwald Lithium Project and we believe that Abbeytown will be better advanced as part of a business focused on the commodity and the region. As such we are confident that Ocean Partners will be excellent stewards of the project and that the transaction will deliver value to Zinnwald from this asset.

### **Financial Overview**

The Group maintains a disciplined approach to expenditure and has a €2.1m cash position as at 21 March 2023, which excludes the expected minimum €16m proceeds from the fund raise announced today.

### **Outlook**

As the leading battery technology in use today, lithium-ion batteries are destined to be an enduring technology and whilst the record levels of lithium pricing reached during 2022 may not be repeated demand is expected to remain high. Benchmark Mineral Intelligence suggests that we need to increase production of lithium-ion batteries from 0.6TWh a year to 20TWh by 2050, which will require a 20-fold increase in lithium supply, while the IAE says 50 new average sized lithium mines are needed by 2030 to fill the projected supply gap. Zinnwald expects to deliver one of those mines.

In line with this, we are pushing forward as hard as possible on multiple work streams including advancing the BFS towards completion by the end of the year. I look forward to providing updates on our progress as we focus on ensuring the underlying value of our asset is more fully reflected in our share price.

Finally, the progress made during the year is testament to our team, which we continue to strengthen as the Project advances towards construction. I would like to take this opportunity to thank them all for their continued hard work and I look forward to working with them in the year ahead as we focus on delivering on our overriding objective, which remains to generate value for all our shareholders.



**Jeremy Martin**  
**Non-Executive Chairman**  
**22 March 2023**

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 concept is for an underground mine and associated, on site, mineral and chemical processing to produce a battery grade lithium hydroxide.

The Companies business model is predicated around utilising its inherent advantages to enable it to become a sustainable project serving the European lithium market:

- **Location:** German project in the heart of the European automotive and chemical industries and within close proximity of several major battery “Gigafactories” currently in production or planned. It is one of the few lithium projects that will provide domestic European primary lithium supply. Security of supply and shorter supply chains are becoming increasingly important. Europe does not currently have a domestic source of lithium supply and there are relatively few projects within the EU
- **Established mining region:** The Project is located in an established mining area that has been mined historically for 400 years and as recently as the early 1990s. Mining is well understood by local communities and authorities and the State of Saxony, in which the project is located, recently published a raw materials strategy highlighting the role that mining for critical raw materials can play.
- **Low impact:** The Project is based around an existing underground mine, thereby minimising surface impact. Existing infrastructure in the area will be utilised to access and exploit the ore body which will further minimise the impact on the environment and communities. In addition, the Project has been designed with the potential to be a low or “zero-waste” operation as the majority of both its mined product and co-products have their own large-scale end-markets:
  - Its initial mined waste product, quartz sand, is benign and can be used in the construction industry.
  - The leach residue from the chemical process can be used as back-fill in the mine
  - Its primary co-product is high grade Potassium Sulphate, which is primarily used as a fertiliser and for which the market is large.
  - Its secondary co-product is Precipitated Calcium Carbonate (“PCC”) typically used as a filler in the paper making process.
- **High Regulatory standards:** The Project will be permitted under EU environmental rules, which are some of the strictest globally. OEMs will be able rely on the production being in compliance with EU Battery Chain directives. Furthermore, the Board and management are committed to maintaining the highest levels of transparency and corporate governance consistent with being a UK listed Plc.
- **Sustainable:** The Project incorporates several key elements that are advantageous in terms of sustainability relative to competing global sources of lithium supply
  - The process has limited water use relative, in particular, to brine producers.
  - The process flowsheet is less energy intensive than traditional spodumene-based production as it involves a single pyrometallurgical step at a lower temperature than is required in a spodumene-based process.
  - Overall transport costs and emissions are reduced by being an integrated operation located close to end markets especially when compared to Australian sourced spodumene concentrate processed in China.
  - German energy sources currently include a higher overall “low carbon” component than some regions that are currently important suppliers of lithium.
- **Leading Partners:** The Company is committed to working with highly credible partners that can help to ensure the delivery of a landmark Project. International technical partners currently include SRK, Metso:Outotec, K-Utec, Epiroc and GLU/GICON.

### ***Geology and License Areas***

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. Lithium is contained in lithium-bearing mica, which is called “zinnwaldite”, a member of the siderophyllite-polyolithionite series, which contains up to 1.9 wt.% lithium. It is enriched in 10 parallel to subparallel zones below the historic tin mineralization. Individual lithium-bearing greisen beds show vertical thicknesses of more than 40m. The mineral assemblage consists of quartz, Li-F-mica (zinnwaldite), topaz, fluorite and associated cassiterite, wolframite and minor scheelite and sulfides.

The Project comprises four license 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, our now 100% owned subsidiary, Deutsche Lithium GmbH (“Deutsche Lithium” or “DL”) first announced 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. This 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, Altenberg and Sadisdorf satellite areas**

- **Falkenhain** – the license covers an area of 2,957,000 m<sup>2</sup> and, in 2022, the license was extended for a further three years to 31 December 2025. DL commenced a 10 drill-hole exploration programme in September 2022 with the results from the first drill hole published in January 2023.
- **Altenberg DL** – the license covers an area of 42,252,700 m<sup>2</sup> and is valid to 15 February 2024. DL is currently evaluating historical data, which will be used to define new exploration targets in the area.
- **Sadisdorf** – the license covers an area of 2,250,300 m<sup>2</sup> and is valid to 30 June 2026. 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<sub>2</sub>O (average 2,053 ppm lithium head grade). DL is reviewing and evaluating this historic data to determine further exploration steps.

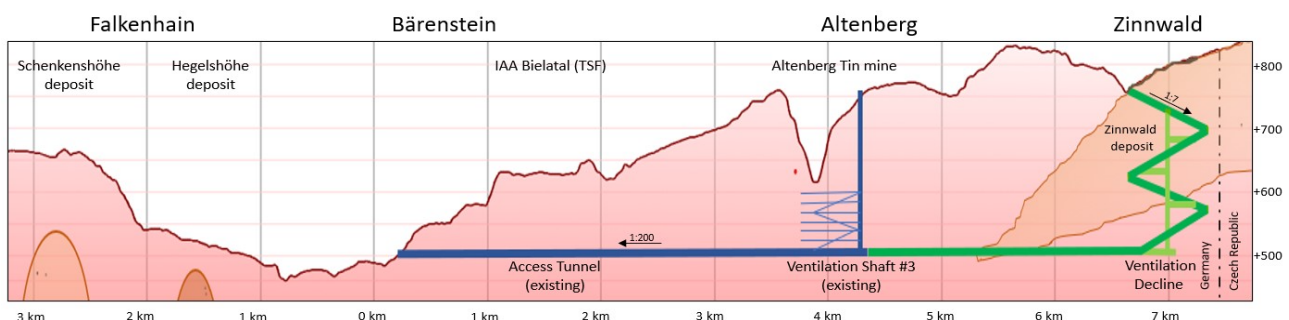
**Project Plans – Revised Strategy**

The Group’s management team took the decision following the completion of the acquisition of the remaining 50% of DL in June 2021 to reposition the Project to better reflect the significant and rapid developments in the Global and European Lithium markets. The Project’s revised strategy is now to focus on a larger scale operation that produces battery-grade LiOH products; to optimise the Project from a cost perspective; and also to minimise the potential impact on the environment and local communities. All aspects of the Project from mining through to production of the end product will now be located near to the deposit itself in an area with developed infrastructure, energy sources, services, facilities, and access roads and rail. Power and water are provided by existing regional supply networks. It is also located close to the heart of the German automotive and chemical industries.

To progress this revised strategy, the Group has taken a number of steps in the further definition, design and study work required, which culminated in the publication on 7<sup>th</sup> September 2022 of the “Preliminary Economic Assessment (‘PEA’) for the revised Zinnwald Lithium Project.

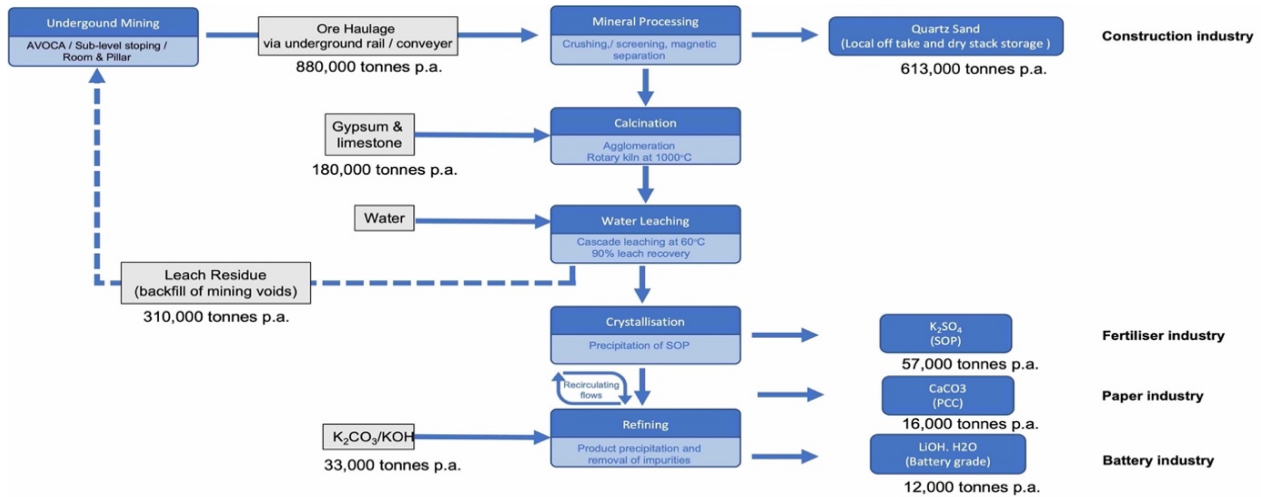
**PEA Mine Plan**

The Project includes an underground mine with a nominal output of approximately 880,000 t/a ore at estimated 3,004 ppm Li and 75,000 t/a barren rock. Ore haulage is via a 7km partly existing network of underground drives and adits from the “Zinnerz Altenberg” tin mine which closed in 1991. The mining operation for the Project is planned as an underground mine development using a main ramp for access to the mine and for ore transportation from the mine to the surface via access tunnels. The estimated mine life covers >35 years of production. The optimisation of bulk-mining methods has been a key consideration to realise increased total mined tonnage. The cross-section map of the area shown below shows the drainage access tunnel, the two access mining tunnels and the historic talings facility at IAA Bielatal.



**PEA Processing Flowsheet and Metallurgical Test Work**

The Zinnwald Lithium Process Plant is designed to process 880,000 dmt/a of ROM feed, at an average grade of 0.30 wt.% Li, to produce a minimum of 12,011 t/a of battery grade LiOH\*H<sub>2</sub>O (equivalent to 10,530 t/a LCE) and 56,887 t/a of K<sub>2</sub>SO<sub>4</sub> and about 16,000 t/a PCC (precipitated calcium carbonate) by-products. The flowsheet, as shown below is based on calcium sulfate/calcium carbonate roasting and consists of the following major unit processes. The Flowsheet test work has been based on an original 100t lithium-mica greisen ore sample that has produced 50 kg of a reference LiOH product sample as well as for the locked cycle test for process verification as part of the process design work.



**Permitting and Environmental Studies**

The overall permitting pathway for the project is subdivided between processes to be permitted under the Mining Act, which includes the mine, its associated infrastructure and the mechanical separation plant approved under a Mandatory Framework Operation Plan (MFOP) and the Bundesimmissionsschutzgesetz (BImSchG) (Federal Emission Protection Act) and the Water Authority for all aspects relevant to water use, potential for water pollution etc.

**Economic Analysis in the PEA**

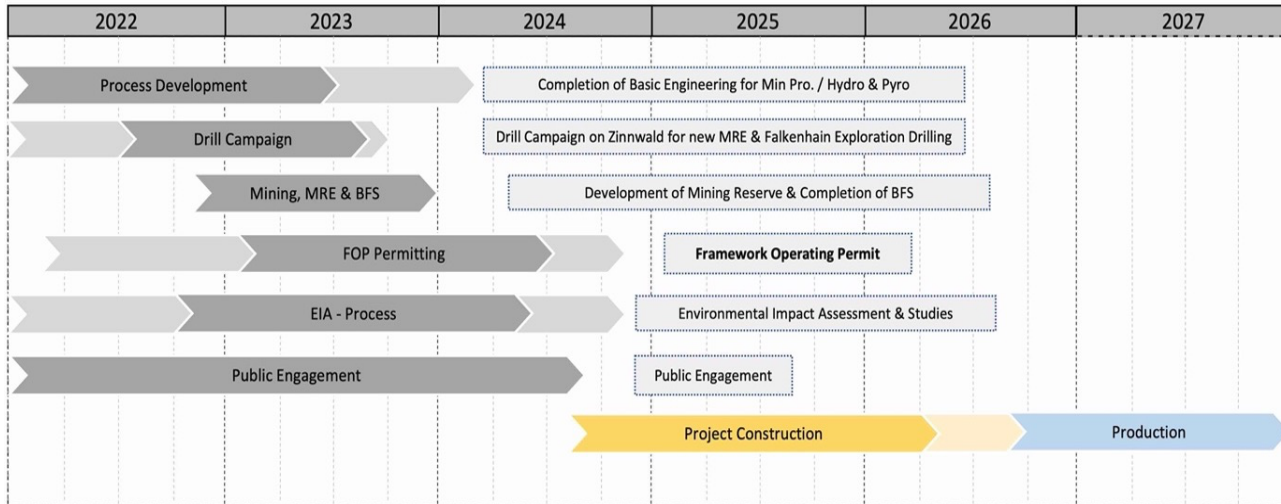
The economic analysis included in the PEA (shown below) demonstrates the financial viability of the Project. Based on the assumptions detailed in this report the Project supports a Pre-tax Net Present Value (“NPV”) of US\$1.6 billion (at a discount rate of 8%, “NPV8”) and a pre-tax Internal Rate of Return (“IRR”) of 39%. The after tax NPV8 is US\$1.0 billion and post tax IRR is 29.3% The Project has a mine life of over 35 years and the payback period is less than four years post commencement of production. The full report is published on the Company’s website at <https://www.zinnwaldlithium.com/investors/reports-and-presentations/>

PEA Key Indicators	Unit	Value
Pre-tax NPV (at 8 % discount)	US\$ m	1,605
Pre-tax IRR	%	39.0%
Post-tax NPV (at 8 % discount)	US\$ m	1,012
Post-tax IRR	%	29.3%
Simple Payback (years)	Years	3.3
Initial Construction Capital Cost	US\$ m	336.5
Average LOM Unit Operating Costs (pre by-product credits)	US\$ per tonne LiOH	10,872
Average LOM Unit Operating Costs (post by-product credits)	US\$ per tonne LiOH	6,200
Average LOM Revenue	US\$ m	320.7
Average Annual EBITDA with by-products	US\$ m	192.0
Annual Average LiOH Production	Tonnes per annum	12,011
LiOH Price assumed in model	US\$ per tonne	\$22,500
Annual Average SOP Production	Tonnes per annum	56,887
Blended SOP Price assumed in model	€ per tonne	875



**Project Development Plan**

The preliminary project schedule outlined below is based on the assumption that the Project will be fully funded throughout both its next stage of producing a BFS and then into construction; all environmental and other regulatory permits will be granted without delays; external agencies and suppliers will be cooperative; and management of the execution will be by competent EPCM / EPC groups.



The Directors present the strategic report for the year ended 31 December 2022.

## 1. Highlights

### *12 Months to 31 December 2022*

- Completion of PEA on revised Project plan showing robust economic results.
- Testwork confirmed viability to produce battery-grade Lithium Hydroxide
- Testwork confirmed viability to produce economically significant by-products.
- Hyper-spectral scanning tested to produce accurate quantitative information on ore types and grades.
- Lithological ore-sorting proven to be viable in pilot tests.
- Commencement of in-fill drilling campaign at Zinnwald license area.
- Commencement of exploration drilling campaign at Falkenhain license area.
- Commenced discussions with owners of local infrastructure.
- Engaged SRK Consulting (UK) Ltd to provide competent person support.
- Joined the EU funded Horizon Europe "Exploration Information Systems" project.
- Strengthened the operational team in Germany.
- Entered into Option Agreement to acquire more land in vicinity of Altenberg.

### *Post period end to 21 March 2023*

- First Industrial Cornerstone Investor (AMG) and wider Placing raising a minimum of £14m.
- First drill results on Falkenhain exploration license.
- Appointment of Tamesis Partners as co-broker and first research published.
- Simplified and focused the Company by selling the non-core Abbeytown Lead-Zinc Project.

## 2. Strategic Review

### 2.1. Company Overview – Background and evolution

The Group was originally established in 2012 as a mineral exploration and development company and made its IPO on AIM in December 2017. 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.

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. The sole remaining agreement is the Royalty Agreement covering 50% of the Project, which remains in place.

### 2.2. Company Strategy

The Zinnwald Lithium Project, as set out above, is the Company's core development asset and the sole focus of the Board and its strategy. This 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 Company will focus on further de-risking the project as it is advanced towards a development decision. Key work areas include:

- Complete a Bankable Feasibility Study on the Revised Project following on from the PEA.
- Further refine the Processing Flowsheet that supports the primary production of battery grade lithium hydroxide and its co-products, Potassium Sulphate (fertilizer) and Precipitated Calcium Carbonate.
- Expansion of the size of the Project by increasing Mineral Resource Estimates to include the "Albite Granites" and increase size of annual mining throughput with improved ore-sorting technologies.
- Identification of and negotiation with further long-term cornerstone investors.
- Identification of and negotiation with off-take partners that could include battery manufacturers, chemical producers or commodity traders.

- Identification of and negotiation with potential project financing partners that could include banks and national and trans-national development organisations.
- Exploration work to advance the satellite licenses to increase the potential size of the overall resource.
- Advance the plant engineering towards AAC Class 3.
- Minimising the carbon footprint by optimising Lithium plant location and transportation.
- 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 general public and the NGOs in the permitting processes and has committed to proactively engage with all the stakeholders in its projects.

### 2.3. 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.

As at the date of this report, the Company announced a planned Fundraise at 10.41p, being a material premium to the current share price, to raise a minimum of £14m to advance the Project to BFS and beyond. This Fundraise includes the Group securing its first industrial cornerstone investor in AMG Advanced Metallurgical Group, which is subscribing for a 25% holding of the enlarged share capital.

### 2.4. 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. The Risks are split into Business, Operational and ESG/Sustainability. For a full list please refer to the AIM Admission Document published in October 2020.

#### Business Risks

##### 2.4.1. Ongoing Funding requirements

Additional funding will be required to complete the proposed future exploration and development plans towards a BFS and in the longer term for construction of the Project. 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 Group and its shareholders.

#### *Mitigation*

The Group continues to engage with potential investors that could support the Project in the longer term. It will also continue to endeavour to add complimentary sources of funding as it progresses, which may include Debt, Offtake investment, Royalties, Grants or Governmental funding.

#### *Trend:*

Unchanged – there has been no significant change to the assessment of this Risk.

#### **2.4.2. Commodity Price - market forces of supply and demand**

The Group intends to produce a battery-grade lithium product (currently Lithium Hydroxide, "LiOH") from the Project, and sell most or all of its production to future 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. 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 will compete 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.

##### *Mitigation*

The Group applied a long term LiOH price of \$22,500 per tonne in its PEA, published in September 2022. The spot price for LiOH rose above \$70,000 during 2022 and contract prices disclosed by some of the industry's largest companies were in the range of \$45-50,000 per tonne in Q4 2022. Many industry commentators forecast an ongoing supply/demand imbalance that is supportive of higher lithium prices. The Group will commission a formal independent price forecast report for the purposes of its forthcoming BFS and associated Mineral Resource Estimate.

##### *Trend:*

Unchanged – Lithium product prices will remain one of the Group's most significant financial risks.

#### **2.4.3. Geopolitical / Country Risk**

The political climate in Germany and Western Europe is stable and generally held to offer a favourable outlook for foreign investments, but there is no guarantee that it will remain so in the future. Resource nationalism around Critical Raw Materials (CRMs) has increased materially in recent years, as countries and economic blocs have realised the importance of security of supply to support the ongoing development of domestic battery industries. In August 2022, the USA introduced its Inflation Reduction Act (IRA) with investment totalling \$370 billion in climate and clean energy areas with various incentives to increase the production of electric vehicles, renewables, and critical minerals to reduce reliance on foreign imports. In 2023, the EU has announced it will issue its response to the IRA that will outline the measures that it will take to protect and support domestic European industries. This is expected to include plans to strengthen its own CRM supply lines.

##### *Mitigation*

The Zinnwald Project is ideally placed strategically to support Germany's and the EU's future plans to develop its CRM supply. It is one of the largest hard rock deposits in Europe and is well located with regard to the German chemical and automotive industries.

##### *Trend:*

On a macro level the risk of resource nationalism has increased in 2022, but this should ultimately be to the benefit of the Zinnwald Project, which is a German project specifically designed to support the German (and EU) CRM supply chain.

#### **2.4.4. 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 long term production and cost 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.

#### *Mitigation*

There is currently only one lithium project developing a lithium resource at a construction stage in Europe. None of the others in development are materially more advanced than Zinnwald and several of these are “on hold” whilst local support is resolved. Even if all of these projects do eventually come to fruition, they will not be able to supply the expected long term demand for lithium from EU end users.

#### *Trend:*

Unchanged – Zinnwald’s eventual products will inherently face competition from other sources of supply.

#### **2.4.5. 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.

#### *Mitigation*

The Project will eventually produce LiOH, which is the primary lithium product utilised in the batteries being developed and used by European car makers. Even if these makers change to alternative lithium based chemistries, the Project is capable of producing a range of Lithium products. 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.

#### *Trend:*

Unchanged – Lithium-ion batteries remain the dominant technology in the EV arena.

#### **2.4.6. Foreign currency exchange rates**

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 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.

#### *Mitigation*

The Group’s current 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.

#### *Trend:*

Unchanged - there has been no significant change to the assessment of this Risk.

### **Operational Risks**

#### **2.4.7. 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.

#### *Mitigation*

The PEA published in September 2022 showed the robust economics for the Zinnwald Project with a headline pre-tax NPV8 of US\$1,605m, IRR of 39.0%, \$192m average annual EBITDA and a payback of just 3.3 years. The Group is currently advancing its technical plans to the level of a BFS.

*Trend:*

The inherent risk around all mining projects remains the same, but Zinnwald continues to take the required steps to de-risk the Project moving forward.

**2.4.8. Further licences and permits required**

The Group will need to obtain further environmental and technical permits for the construction, development and operation of its commercial operations. There is a risk that these further permits, concessions and licences may not be granted. 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.

*Mitigation*

The Group has already commenced the permitting approval process including starting its EIA baseline studies and has engaged with the relevant permitting bodies.

*Trend:*

Unchanged - there has been no significant change to the assessment of this Risk.

**2.4.9. 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.

*Mitigation*

The Group has already increased its headcount in Germany from 6 at the end of 2021 to 23 at the end of 2022. The intention is to further increase this number in 2023, especially around the recruitment of people experienced in the delivery of resource projects.

*Trend:*

Unchanged - there has been no significant change to the assessment of this Risk.

**ESG / Sustainability Risks**

**2.4.10. Local Stakeholder Acceptance**

Any mining project inherently requires the support and acceptance of local stakeholders to proceed, in particular from the local communities that will be most directly affected by physical operation, as well as the wider State and Federal stakeholders. Failure to share the benefits of our operations with local communities such as creation of jobs, local procurement or community investment activities, may cause delays or disruptions to our operations and may undermine our social licence to operate.

*Mitigation*

The Group has held a number of meetings with the local community in Altenberg and has been successfully operating drill rigs in the area since August 2022. Furthermore, the revised plans for the Project include utilising existing infrastructure to minimise the potential impact of its operations on local communities. The Project will ultimately create a significant number of local jobs and has the potential to generate material tax revenues. The Group also has a policy of working with internationally accredited partners for the development of the Project, these currently include SRK, Metso-Outotec, K-Utec and Epiroc.

*Trend:*

Ongoing local good relations with, and support from, local communities is a key area of focus for the Group.

#### **2.4.11. 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, use of toxic materials 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.

##### *Mitigation*

The Group will at all times adhere to environmental regulations and endeavour to ensure that the Project will be as "low waste" and environmentally sustainable as possible.

Trend:

Unchanged - there has been no significant change to the assessment of this Risk.

#### **2.4.12. Supply Chains and Processes**

In Germany, effective from the start of 2023, companies that supply large German businesses are being questioned about their own supply chains in greater detail. The law requires German businesses with more than 3,000 employees to assess their supply chains for environmental, social or governance issues and then address them, or face fines of up to 2 per cent of their global turnover and exclusion from public contracts for up to three years. From next January, smaller German companies will also be included in the requirements. The law is broader than the UK's 2015 modern slavery legislation, and it covers seven other areas, including union rights, environmental degradation, employment of minors and disposal of waste.

##### *Mitigation*

Whilst the Group as a standalone operation will not be covered by the new legislation, as it is too small, in the long run its battery products will likely be supplied to companies that do meet these criteria and will hence expect the Group to comply. The Group already has well established policies to address these areas of concern and will continue to evolve and strengthen them where necessary as the Project progresses.

Trend:

The new legislation has increased the risk.

#### **2.4.13. Health and Safety**

Protecting the safety and health of employees, contractors and local community and other stakeholders is a fundamental issue facing the Group and the wider mining industry. Mine sites (including drill sites) are, by their nature, dangerous places to work particularly due to the use of heavy machinery. Inappropriate use of heavy machinery or the failure to wear appropriate PPE and follow health and safety protocols may lead to serious injuries or loss of life.

##### *Mitigation*

The Group complies with the applicable laws and regulations of Germany. Safety is a paramount consideration, and Zinnwald aims to provide a place of work that is safe for everyone. Policies and procedures have been constituted with the aim of identifying the hazards associated with mining activities and that they are effectively managed. All occupational health and safety incidents are recorded, categorized and investigated and where required corrective and preventive actions are implemented.

Trend:

The inherent risk has increased in 2022 as the Group expanded its drilling and sample preparation operations. As the Group moves forward with the Project towards construction, the potential for health and safety.

### 3. Operational Review

#### 3.1. Germany

During 2022, the Group has made significant progress on the Project, including the publication of its PEA on the Revised Project. For further details see the section on Zinnwald Lithium Project above. As part of this progress the Group completed the following matters during the year, and after the year end, to underpin the Project plans.

#### RESOURCE DEVELOPMENT

The Company has already commenced an infill drilling programme at the core Zinnwald license with the objective of better defining the Resources and Reserves that lie within the ore body, as well as determine the detailed early years' mining plan. This will likely lead to revised Resource and Reserves Estimate to be included in the BFS. The Company has also commenced an exploration drilling campaign at its nearby Falkenhain license to determine the potential for expansion of both the project's resources and the production level.

The Company has engaged SRK Consulting (UK) Ltd to provide competent person support for the drill campaign and geometallurgy. The drilling is being conducted by GEOPS Bolkan Drilling Services Ltd. The Company has also leased and taken occupancy of new warehouse space in Freiberg that is being used for core storage and core logging and processing of new drill core. The facility has been outfitted with the latest safe and environmentally friendly equipment.

#### *In-fill drilling at Zinnwald Lithium Deposit*

In August 2022, the Company received its final permits and started an in-fill drilling programme at the core Zinnwald Lithium license. The purpose of the in-fill drilling programme is to study the mining scale variability of the ore with the view of applying larger scale mining methods. The ultimate aim is also to support the plan to consider the Albite Granites (previously referred to as "Ore Type 2" in the PEA) for the Mineral Resource and future mine plan, with potential to materially increase the total Mineral Resource.

As at the end of 2022, the Company had completed 13 drill holes and 4,311m at the core Zinnwald deposit. The results of the assay at the first four drill holes were announced in detail in an RNS on 23 November 2022. In summary the included long mineralised intervals such as 2,503ppm Li over 86.4m and 1,846ppm Li over 121m within which there are several high-grade core intervals including of 4,286ppm Li over 4.6m and 4,345ppm Li over 6.5m. So far in 2023, the Company has completed a further 15 drill holes, taking the total drilling to 9,587m. Further assay results will be published in due course.

#### *Exploration drilling at Falkenhain Licence Area*

In September 2022, the Company received its final permits and started an exploration drilling programme at Falkenhain. This exploration licence is located 7km north from the core Zinnwald License. The licence area was historically extensively explored for occurrences of tin and tungsten with drilling undertaken most recently from 1963 to 1990. The Company has performed a detailed review of the historic data including assaying samples of the surviving core from these campaigns. The outcome from this work has identified the potential for a lithium resource.

The Company has designed an exploration drill campaign of ten diamond drill holes to test the historic drill data and better determine the resource potential of the licence. The first drill hole was completed to a depth of 600m and the assay results published on 30 January 2023 showing significant intercepts of thick high-grade lithium mineralisation including 80m at an average 2,879 ppm Li and 51m at an average 3,421 ppm Li.

In September 2022, the Company was informed by the Saxony Mining Authority ("SOBA") that its application to extend its exploration license at Falkenhain was successful. The exploration license is now valid until the 31 December 2025.

#### PROCESSING AND FLOWSHEET

#### *Mining and Geometallurgy – TheiaX, Metso-Outotec, Tomra, UVR FIA*

TheiaX GmbH, a local German company, reported initial hyperspectral core scanning tests on both existing drill core from previous drilling campaigns, and crushed ore samples from the previous pilot tests. The hyperspectral scanning produced clear quantitative information on Zinnwaldite (Li-mineral), Muscovite, Clay minerals and Topaz from both the drill core and the crushed product. In comparison to standard one metre assay intervals, the hyperspectral imaging produced information on five cm intervals and detected lower grade inclusions from the core giving a very clear indication that online hyperspectral imaging could be used for value-based bulk or particle sorting of crushed ore.



After successful preliminary test work, pilot ore-sorting tests were carried out by Tomra in Hamburg, Germany to test the amenability of Zinnwaldite ore for particle sorting. All Zinnwaldite lithologies, ore and waste, were tested. The pilot confirmed that >10 mm crushed material particles can be effectively sorted with off-the-self ore-sorters.

The objective of these testwork campaigns is to reduce ore processing costs by removing waste and low-grade material from the Mineral Processing circuit before the expensive grinding, drying and magnetic separation stages, as well as minimising the quantity of fine material produced as by-product. It could also lead to an increase in total Mineral Resources. The current Mineral Resource excludes Ore Type 1 lenses thinner than two meters due to processing cost per tonne waste rock mined. With better understanding of the small-scale grade variation and application of sorting process, it may be possible to lower the Li cut-off grade of Ore Type 1. In addition, a considerable amount of lithium at the Project is contained in the "Greisenized Granite" rock, which could potentially be included in Mineral Resources. This material can be understood as an alteration halo surrounding the Ore Type 1 and is estimated at 214 Mt at a Li grade of 1700 ppm. It is currently not included in the Project's Mineral Resources of 40.4 million tonnes (35.5 million tonnes measured and indicated plus 4.9 million tonnes inferred), as set out in the PEA.

Additional tests to further confirm the mineral processing assumptions for the Albite Granites as part of the future mining feed are being undertaken at UVR FIA GmbH in Freiberg. This principally considers the processing characteristics, mineralogy, and geo-metallurgy of the Albite Granite, which also holds significant amounts of lithium bearing mineralisation.

#### ***Pyrometallurgy – IBU-tec***

Calcination (roasting of pre-treated Zinnwaldite concentrate) testwork was carried out by IBU-tec Advanced Materials AG. The calcination testwork focused on pre-treatment of the concentrate with different additives, agglomeration and roasting of the agglomerate. The test targeted the possibility of utilising cheaper additives and a higher leach rate of lithium and potassium from calcine. The tests for calcine leaching of the calcined material were carried out by K-UTEC.

The tests indicated that Flue Gas Desulfurization ('FGD') Gypsum is suitable for the purpose. FGD Gypsum is readily available and inexpensive and would represent a cost saving versus using primary gypsum. The tests also showed an increased lithium recovery rate of 90% (previously 87%) and an increased potassium recovery rate of 70% (previously 50%) from Zinnwaldite ore compared with what was demonstrated in the 2019 FS.

#### ***Hydrometallurgy - Production of battery-grade LiOH and co-products – K-UTEC***

In March 2022, the Company announced the successful completion of pilot scale testwork that demonstrated the technical and economic viability of producing high purity (>99.9% purity) lithium hydroxide from Zinnwaldite concentrate is technically and economically viable. The test work also confirmed the potential to produce economically significant amounts of commercially saleable co-products, such as high-purity potassium sulphate ("**SOP**") and precipitated calcium carbonate ("**PCC**").

In these tests, almost 50kg of battery grade LiOH was produced out of several tons of Zinnwaldite concentrate. The test work was conducted in Germany by a leading industry specialist, K-UTEC AG Salt Technologies ('**K-UTEC**') and verified by a third-party laboratory through chemical and physical analysis. The lithium recovery from the Zinnwaldite concentrate to the LiOH was proven to be above 80% and comparable to lithium processes from other types of lithium resources. Non-saleable side streams were proven to contain very low amounts of soluble, possibly environmentally problematic elements.

The Company further commissioned K-UTEC to conduct a technical scoping study for SOP and PCC product optimisation, which confirmed the ratios of high grade technical / fertiliser grade SOP products that can be achieved. This work specifically considered the operational aspects of producing various quantities of SOP products and will form the basis for higher level engineering studies.

### **OTHER OPERATIONAL MATTERS**

#### ***Access to infrastructure***

In March 2022, the Company was granted access to portions of the existing mining infrastructure in the vicinity of the Project for inspection purposes. This infrastructure includes a 4km drainage tunnel, and disused ventilation and access shafts, which potentially could be used as part of its operations. The infrastructure was found to be in excellent condition and easily accessible. The Company continues to develop its plans for the possible utilisation of this infrastructure to beneficially impact the Project and is also in discussion with the owners of the assets for access and usage.

### ***Land in Altenberg***

In August 2022, the Company announced that it had entered into an option agreement with Projektgesellschaft Altenberg mbH, an entity owned by the town of Altenberg in Germany, that gives the Company the right to acquire approximately 14,000 square metres of industrial land in the Europark industrial area near to Altenberg. The option agreement is valid until August 2025. The land subject to the option agreement is adjacent to land already owned by the Company and combined would bring the Company's total land holding in this area to approximately 30,000 square metres. This industrial land has the potential to be used for access and other operational aspects of the Zinnwald Lithium Project.

### ***Partnerships***

The Group has further strengthened its relationships with leading partners, whose credibility the Group believes will ultimately support its position with future project finance partners:

- SRK Consulting UK Ltd is providing Competent Person ("CP") support and guidance for the Project.
- TheiaX GmbH is assisting with cutting edge hyperspectral scanning of drill-core to be used in the geo-metallurgical optimisation of the Project.
- Metso Outotec is providing expert support in advancing the mineral processing concept and engineering, including verification of historic engineering, the development of a conceptual study to produce engineering deliverables to enable a smoother transition into basic engineering and support of further development stages of the Project.
- Epiroc is developing plans for an electrically powered mining operation.
- GICON / GLU is providing support in the permitting process of mining assets in the state of Saxony.

### ***Co-Broker Appointment***

In February 2023, the Company appointed Tamesis Partners LLP as joint corporate broker and it published the first independent research note on the Company. Tamesis is a specialist ECM and advisory house with a focus on the mining sector. Tamesis will support the Company with research coverage and access to an incremental audience of institutional and strategic investors.

### ***Staffing in Germany***

The Group has further strengthened the team in Germany in 2022, adding skills in several key disciplines including geology, mining, and logistics.

### ***ESG and Sustainability***

Progress in relation to Permitting, Environmental, Social and Governmental engagement are covered in detail in the report of the Sustainability Committee below.

## **3.2. Lithium Market in 2022**

Building on an extremely strong performance in 2021, the lithium market in 2022 continued to perform with spot prices exceeding US\$80,000 ton. Contract pricing, typically a better indicator of overall supply-demand dynamics, was also very robust with SQM, one of the world's biggest suppliers, announcing an average price for 2022 of US\$52,000/t. Pricing is supported by a growing consensus around a supply / demand imbalance, with several market commentators anticipating a persistent deficit of supply. The impact on long term lithium hydroxide price expectations has been a consistent rise. In Q3 2021, Benchmark Minerals (a leading lithium industry consultancy) forecast a long-term price of \$12,110, but this was before the step change in balance in the market. In March 2022, Roskill forecast an inflation adjusted long term price of \$23,609 per tonne through to 2036 with a nominal rate of \$33,200/t by 2036. In its year-end review, Fastmarkets produced a 10 year forecast for Lithium prices that showed prices above \$30,000 per tonne for the rest of the decade and still above \$25,000 per tonne by 2032. Zinnwald in its PEA assumed a long term price of \$22,500/t.

The global lithium market is expanding rapidly due to an increase in the use of lithium-ion batteries for electric vehicle and energy storage applications. In recent years, the compound annual growth rate of lithium for battery applications was over 22% and is projected by Roskill to be more than 20% per year to 2028. This expansion is being driven by global policies to support decarbonisation via electrification. This is underpinned by Carbon Emission Legislation (COP26, EU Green Recovery, Paris Accord); Government regulation and subsidies; and Automakers commitment to EVs. Global electric car sales totalled 4.2 million units in 2021, more than double the level in 2020 and up ~ 200% versus 2019 with no slowdown anticipated in 2022.

Benchmark Minerals highlighted that there are 282 Gigafactories at various stages of production/ construction, up from only 3 in 2015 (by May 2022, this number had gone over 300). If all these plants came online in the planned 10-year timeframe, it would equate to 5,777 GWh of battery capacity, equivalent to 109 million EVs. This would require 5m tonnes of lithium each year, as compared with 480,000 tonnes produced in 2021. It noted that the lack of supply is not due to any geological constraints but to a simple lack of capital investment to build future mines and estimated \$42bn needs to be spent by 2030 to meet anticipated demand for lithium.

Arguably the most transformative event in the lithium industry in 2022 came in August when the US Government announced the Inflation Reduction Act (“IRA”), which is described as the largest piece of federal legislation to address climate change ever promulgated. It comprises a total of \$391 billion in provisions relating to energy security and climate change and includes \$270 billion in tax incentives. Some of the largest allocation areas included \$128 billion for renewable energy and grid storage and \$13 billion for electrical vehicle incentives. As part of this Act, in October 2022, the White House made \$2.8 billion of direct grants to boost domestic EV battery production ranging from recycling facilities to lithium processing plants. Companies such as Albermarle, Piedmont Lithium and Lilac Solutions all received sizeable grants in relation to lithium processing facilities.

The IRA triggered a strong response from the EU driven by concerns around the scale of incentives and subsidies and the risk to European industry. In January 2023, the European Commission set out its own “Green Deal Industrial Plan” that aims to ease state aid rules that would “enhance the competitiveness of Europe’s net-zero industry and support the fast transition to climate neutrality. The Commission will also protect the single market from unfair trade in the clean-tech sector and will use its instruments to ensure that foreign subsidies do not distort competition in the single market, also in the clean-tech sector.” The Plan is based on four pillars: simplifying regulations; speeding up access to finance; skills development; and open trade to provide a ‘more supportive environment’ to boost the EU’s manufacturing capacity for the green transition to meet its climate targets. Brussels wants Europe to be the first climate-neutral continent by 2050, and to cut its emissions by at least 55% by 2030. A “Net Zero Industry Act” is due in 2023 with the potential for a longer term European Sovereignty Fund to invest in emerging technologies.

### **3.3. Ireland**

During the period, the Group retained its sole license at Abbeytown and has met all expenditure requirements to maintain the license through to June 2023. On 13 March 2023, the Company announced the terms of an acquisition agreement with Ocean Partners Ltd for them to acquire Erris Zinc Ltd, the owner of the Abbeytown Lead-Zinc license in Ireland. Ocean Partners shall acquire Erris Zinc for €1 and commit to spend €130,000 over the next three years to the end of 2025 on exploration work at Abbeytown. Zinnwald shall receive a 1% Net Smelter Royalty and a €200,000 cash payment due six months after commencement of commercial production from Abbeytown. Zinnwald shall have the right to buy back Erris Zinc for €1 in March 2025, if the committed exploration spend has not been made.

### **3.4. Share Price performance in 2022**

The Board shares the frustration of shareholders at the weakness of the Company’s share price in 2022. The wider equity markets, especially for smaller companies, have been under sustained pressure in 2022 primarily due to macro-economic factors including rising interest rates, uncertainty caused by the conflict in Ukraine and low anticipated economic growth. Zinnwald has had two specific equity events that occurred at the end of December 2021 (the distribution of 91m Zinnwald shares owned by Bacanora Lithium Plc on completion of its takeover by Ganfeng Lithium Ltd; and the expiration of the lock-in on the majority of the 50m Zinnwald shares originally issued to creditors of the SolarWorld AG estate) which resulted in there being a number of material shareholders that were unlikely to be natural holders of the Company’s shares. The Board understands that majority of these shareholders have sold all or the majority of their holdings over the course of 2022. The Board believes that this “overhang” has now cleared, as evidenced by the improved share price performance so far in 2023. The Board is grateful for the new and existing shareholders that have absorbed this volume of shares.

### **3.5. Outlook**

The Company is primarily focused on the delivery of a BFS by the end of 2023, further building on the technical concept detailed in the PEA published in September 2022. The PEA demonstrated a robust Project with very attractive economics and the team is working hard to advance this to the next stage. The funds raised in the share placing announced today will primarily be used to deliver this BFS, and thereafter to finance the detailed engineering and design work required to reach a Final Investment Decision.

As part of this BFS work, the Company near-term priorities are the completion of the in-fill drill campaign at Zinnwald, which should result in the completion of an updated Mineral Resources and Reserves Estimate (MRE), as well as determine the detailed early years’ mining plan. The Project’s historic MRE was based solely on the

Greisen beds and excluded the Albite Granites. One of the goals of the ongoing in-fill drilling programme is to materially increase the MRE, which could, in turn, accommodate greater mining capacity for an expanded Li-product output. Historic estimates quantified the tonnage potential of the Albite Granites alone at above 200Mt, an estimate that the Company is working to verify. The Company will also continue its exploration drilling campaign at its nearby Falkenhain license to determine the potential for expansion of both the project's resources and the production level.

The Company will continue to develop the technologies planned for its processes. Individual processing methods and stages are well established in mining and other industries. As the recognition of Zinnwaldite as a source for battery metals is more recent, the application of methods such as high-intensity magnetic separation has not previously been used in beneficiation of this specific type of lithium ore but is utilised and well established in the beneficiation of other ore types. Evaporators and crystallizers are common processing methods in the production of fertiliser salts. The Company has also completed the initial phases of testing bulk and particle sorting techniques designed to increase the type of resource available to the Project. The Company will also continue to refine its plans for reducing its overall CO<sub>2</sub> footprint and operating costs, such as via the use of electric mining equipment.

The Company has already commenced its EIA and other permit process, including baseline studies and other reports. This will be a high priority area over the coming quarters.

The Company will continue to liaise with individual, State and Federal owners of local infrastructure regarding access rights and/or acquisition. The Company will also advance negotiations for service contracts for electric power and natural gas with local power companies as well as supply contracts for required reagents and materials.

#### **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.

During the year, the Group made an operating loss of €2.4m compared with a loss of €2.7m in 2021. Whilst the overall amounts are relatively similar, the underlying expenditure areas are materially different. In the year, administrative expenses increased to €1.9m compared with €1.1m in 2021. The Group has also more than doubled its overall staffing levels to reflect the sole ownership of the Project and the increased workstreams to advance the Project. 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. There was also a share-based payment expense of €0.5m in the current year, arising from the issuance of new Options and RSUs in January 2022.

During the year, the Group made an overall loss before taxation of €2.4m compared with a loss of €1.7m for the year ended 31 December 2021. The prior period includes the impact of a revaluation gain of €1.0m on the original investment in Deutsche Lithium, such costs being one off in that year.

The Total Net Assets of the Group decreased to €20.8m at 31 December 2022 from €22.6m at 31 December 2021, primarily due to the decrease in cash balances of €5.1m, offset by the €3.0m capital investment in the Assets of the Project in 2022.

The closing cash balance for the Group at the period end was €3.2m. As at 21 March 2023, the Group's cash balance is €2.1m, which excludes the expected minimum €18m proceeds of the fund raise announced today.



**Cherif Rifaat**  
**Director, CFO**  
**22 March 2023**

## 5. Directors' Section 172 Statement

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.

The Company operates as a lithium exploration and development company with its sole focus on the Zinnwald Lithium Project and ancillary exploration licenses. The Company 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.

We have split our analysis into two distinct sections, the first to addresses Stakeholder engagement, which provides information on stakeholders, issues and methods of engagement, disclosed by stakeholder group. The second section addresses principal decisions made by the Board and focuses on how the regard for stakeholders influenced decision-making.

### Section 1. Stakeholder mapping and engagement activities within the reporting period.

The Company continuously interacts with a variety of stakeholders important to its success, such as equity investors, royalty holders, workforce, government bodies, local community & vendor partners. The Company strives to strike the right balance between engagement and communication. Furthermore, the Company works within the limitations of what can be disclosed to the various stakeholders with regards to maintaining confidentiality of market and/or commercially sensitive information.

Key Stakeholders – Engagement Rationale and Objectives	How Zinnwald engaged with the stakeholders	What came of the engagement
<p><b>Investors</b></p> <p>The Company requires further funding to develop the Zinnwald Lithium Project. As such, existing and prospective equity investors and project finance partners are important stakeholders. Without the provision of further financial investment, the Company cannot create value for our shareholders.</p> <p>We are seeking to promote an investor base that is interested in a long term holding in the Company and will support the Company in achieving its strategic objectives.</p> <p>Over the course of 2022, the number of shares held in public hands has increased and the overall daily volume of shares traded has increased.</p>	<p>The existing substantial shareholders have regular meetings with the CEO and CFO.</p> <p>The Company has engaged with new potential cornerstone and offtake partners during the period.</p> <p>Engagement with prospective and existing investors is via:</p> <ul style="list-style-type: none"> <li>• The AGM and Annual and Interim Reports.</li> <li>• Investor roadshows and presentations.</li> <li>• One-on-one investor meetings with the CEO and CFO.</li> <li>• Access to the Company's brokers and advisers</li> <li>• Discussions with providers of research on the Company</li> <li>• Regular news and project updates.</li> <li>• Social media accounts</li> </ul>	<p>We engaged with investors on topics of strategy, governance, project updates and performance.</p> <p>The CEO and CFO presented at a number of investor roadshows and one-to-one meetings and have increased the profile of the Group with an international base of potential investors.</p> <p>Discussions with cornerstone investors and potential offtake partners are an inherently long term process. After the period end, the Company announced a substantial investment by a new industrial cornerstone investor, AMG, a European company active in lithium and metals processing.</p>

ZINNWALD LITHIUM PLC  
STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2022

Key Stakeholders – Engagement Rationale and Objectives	How Zinnwald engaged with the stakeholders	What came of the engagement
<b>Workforce</b>		
<p>The vast majority of the workforce in future will be based in Germany and the Directors consider workforce issues holistically for the Company and Zinnwald Project as a whole.</p> <p>The Company and the Zinnwald Project’s long-term success is predicated on the commitment of our workforce to our vision and the demonstration of our values on a daily basis.</p> <p>The Board have identified that reliance on key personnel is a known risk (see the Principal Risks and Uncertainties).</p> <p>Stakeholder Interests include but are not limited to:</p> <ul style="list-style-type: none"> <li>• Job creation, fair worker pay and conditions.</li> <li>• Development opportunities and interesting work.</li> <li>• Clear communication with employees</li> <li>• Excellence in health and safety.</li> </ul> <p>The Company has six UK employees including its Directors, all of whom are UK based.</p> <p>The rest of the Company’s workforce is based in Germany.</p>	<p>UK: The CEO and CFO report regularly to the Board, including the provision of board information.</p> <p>Germany: The Company maintains an open line of communication between its employees, senior management and Board of Directors.</p> <p>The Company is currently too small to require a formal HR Function in Germany, but this will be instituted as the Company grows in size.</p> <p>Senior management regularly visit the operations in Germany and engage with its employees through one-on-one and staff meetings, employee events, project updates, etc.</p> <p>Safety is a key factor in the governance of the Group and senior management hold regular safety meetings.</p>	<p>Board reporting includes sections on engagement with workforce.</p> <p>Meetings were held with staff to provide project updates and ongoing business objectives.</p>
<b>Government Bodies – State and Federal</b>		
<p>The Company requires a number of different licenses to undertake activities.</p> <p>The Company will require licenses to operate under both the Mining Act (Mining Framework Operating Plan and the environmental BImSchG). It will only be able to commence production once it receives these licenses and permits. These licenses will come from both State and Federal bodies.</p> <p>The Company will also require agreements to access certain existing local infrastructure, which can help to develop the Project.</p>	<p>The Company maintains good relations with the respective government bodies and communicates progress.</p> <p>The Company engages with the relevant departments of the Saxony Government in order to progress the operational licences it will require, especially with the Saxony Mining Authority (SOBA).</p> <p>The Company has engaged with the LMBV, an entity under the control of the German Federal State, in order to negotiate access and plans related to infrastructure currently owned and maintained by the LMBV.</p>	<p>The Company received all of its licenses, including environmental, heritage etc, to enable it to commence drilling at Zinnwald and Falkenhain.</p> <p>The Company has met with various departments of the State of Saxony to discuss its development plans.</p> <p>The Company has agreed that the SOBA will be the overall permitting body for both the MFOP and the BImSchG and will work with it to present and then develop the overall Scoping Plan.</p> <p>The LMBV has provided maps for digitisation of the existing infrastructure. Discussions are ongoing around access and data relating to the relevant assets owned by the LMBV.</p>

ZINNWALD LITHIUM PLC  
STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2022

Key Stakeholders – Engagement Rationale and Objectives	How Zinnwald engaged with the stakeholders	What came of the engagement
<p><b>Local Community</b></p> <p>The local community at the Zinnwald site and surrounding area will provide both immediate access rights for drilling and in the longer term the social license to operate.</p> <p>We need to engage with the local community to build trust. Having the community's trust will mean it is more likely that any fears the community has can be assuaged and our plans and strategies are more likely to be accepted. Community engagement will inform better decision making.</p> <p>The local community will provide employees and suppliers to the mine and chemical plant.</p> <p>The Company will in due course have a social and economic impact on the local community and surrounding area. The Company is committed to ensuring sustainable growth minimising adverse impacts. The Company will engage these stakeholders as appropriate.</p>	<p>The Company has engaged with multiple local landowners to allow access for the drilling rigs to operate in the area.</p> <p>The Company has a site office in Altenberg to enable the local community to engage with the team. The Company has also provided several donations to local bodies.</p> <p>The Company is continuing to identify all key stakeholders with the local community.</p> <p>The Group has open dialogue with the local town government and community leaders regarding the project development.</p> <p>The Company has existing ESG/ CSR policies and a management structure at corporate level. The Company will expand on these policies and structures at a local project level as the Company moves through development and on into construction.</p>	<p>The Company has secured access to drill 13 holes during the period and further holes post period end.</p> <p>The Company engages with the local community as part of the development of its sustainability initiatives.</p>
<p><b>Suppliers</b></p> <p>Our suppliers are fundamental to ensuring that the Company can develop a financeable project and ultimately construct the project on time and budget.</p> <p>Using quality suppliers ensures that as a business we meet the high standards of performance that we expect of ourselves and vendor partners.</p> <p>At a local level, we may also partner with a variety of smaller companies, some of whom may be independent or family run businesses.</p>	<p>The Company has a policy of working with internationally respected consultants for the development of its PEA and on towards BFS. The Company will use similar quality engineering groups when it comes to construction of the Project.</p> <p>Management team continue to work closely with engineering and specialised consultancy firms including:</p> <ul style="list-style-type: none"> <li>• One on one meetings between management and suppliers.</li> <li>• Vendor site visits to ensure suppliers able to meet requirements.</li> <li>• Contact with procurement departments and accounts payable.</li> </ul>	<p>During the period the Company has contracted and engaged with the following (see Operations report for more detail):</p> <ul style="list-style-type: none"> <li>• SRK Consulting</li> <li>• Metso Outotec</li> <li>• Theia-X</li> <li>• Tomra</li> <li>• K-Utec</li> <li>• Epiroc</li> <li>• GEOPS</li> <li>• Gicon/GLU</li> <li>• GEOS</li> </ul>

## Section 2. Key Decisions made by the Board within the reporting period.

The Board defines principal decisions as both those that have long-term strategic impact and are material to the Group, but also those that are significant to its key stakeholder groups. In making the following principal decisions, the Board considered the outcome from its stakeholder engagement, the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the Company. The application of the s172 requirements can be demonstrated in relation to the some of the key decisions made during 2022:

- **Revision of the Project Plans and Parameters** – Once the Company had secured full ownership of Deutsche Lithium, the Company was able to accelerate its review of the Project and develop a plan to optimise and expand the Project. The Board's goal was to produce a Project that was larger in scale and could produce a product more in demand by ultimate buyers. Both of which would ultimately result in better returns for shareholders and assisting Germany and the EU in building a domestic supplier of a key critical raw material in plans to decarbonise the economy. This initial review process started in 2021. In March 2022, the Company concluded test work that demonstrated that it could produce battery grade Lithium Hydroxide. In September 2022, this initial phase concluded with the publication of the PEA that demonstrated the robust economics of the revised Project.
- **Cornerstone Investors** – The Board recognises that to develop the Project through its feasibility stage and ultimately into construction, it will need cornerstone investors with either the financial or technical (or both) ability to contribute to any future fundraises. The Board also recognises that the closer to construction it gets, the better terms it will get for key areas such as Offtake commitments, which may help to mitigate dilution to existing shareholders that have supported the Company from its early stages. Management has engaged with a number of groups that meet these criteria during the period and will continue to engage with these and similar parties going forward. At today's date, the Company has announced a planned Fundraise in which the Company will secure its first industrial cornerstone partner, AMG Advanced Metallurgical Group, who intend to subscribe for equity to take them to 25% of the enlarged share capital of the Company. AMG are a well-established Lithium industry participant with significant resources and a strong presence in Germany, where they are building a large-scale lithium refinery. This Fundraise is purely for an equity stake and has enabled the Company to keep back its future Offtake to later in the development stage.
- **Continued use of PrimaryBid (or equivalent) 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 to participate in any company fund raises especially if this is done via placing and at a discount to the prevailing market price. The Directors used PrimaryBid in its December 2021 fundraise and is using it again in the fundraise announced today alongside the placings to AMG and other substantial and sophisticated investors. The Directors do acknowledge that a drawback is that a PrimaryBid raise 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.



Anton du Plessis  
Director, CEO  
22 March 2023



ZINNWALD LITHIUM PLC  
DIRECTORS' RESPONSIBILITY STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2022

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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 International Accounting Standards 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.

ZINNWALD LITHIUM PLC  
 DIRECTORS' REPORT  
 FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and audited financial statements for the year ended 31 December 2022.

**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 43.

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 (Non-executive Chairman)
- Anton du Plessis (CEO)
- Cherif Rifaat (CFO)
- Graham Brown (Non-executive Director)
- Peter Secker (Non-executive Director)

**Directors' interests**

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

<b>As at 31 December 2022</b>	<b>No of Shares</b>	<b>% of Issued share capital</b>	<b>Share Incentives</b>
Jeremy Martin	27,000	0.01%	350,000
Anton du Plessis	6,351	-	1,305,249
Cherif Rifaat	120,046	0.04%	604,282
Graham Brown	-	-	250,000
Peter Secker	178,695	0.06%	150,000
<b>As at 31 December 2021</b>	<b>No of Shares</b>	<b>% of Issued share capital</b>	<b>Share Incentives</b>
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%	-

**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 March 2023:

<b>Major Shareholder</b>	<b>No of Shares</b>	<b>% of Issued share capital</b>
Henry Maxey	42,898,910	14.62%
Ganfeng Lithium	25,465,889	8.68%
Oberon Investments Limited	11,895,633	4.05%
Mark Tindall	11,752,443	4.01%

**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.

### ***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 a general commitment of support provided to its Deutsche Lithium GmbH subsidiary, the Group has no other material fixed cost overheads other than its costs of being listed on the AIM market.

### ***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 most of its operating expenditure. The Group's Treasury risk management policy is currently to hold most of its cash reserves in Euros, as the majority of its current and planned expenditure will be on the Zinnwald Lithium Project in Germany. The Company took advantage of the strong GBP:Euro exchange rate at the end of 2021 to convert £5m of cash raised in December 2021 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 does not qualify as a quoted company or a large unquoted company and therefore are presently exempt from the SECR reporting requirements. However, in 2022 the Group estimates that it has consumed circa 900,000 kWh of energy in the period, due primarily to its drilling campaign in Germany. The Group is developing its reporting systems and KPI metrics to establish baselines for future reporting and will publish these as the Project develops.

On behalf of the board



**Jeremy Martin**  
**Director**  
**22 March 2023**

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 2022. This statement includes more comprehensive disclosures considered to be more appropriate in that format.

### **Board Composition**

As at 31 December 2022, 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, Graham Brown and Peter Secker. None of these directors have been employees, have a significant business relationship or close family ties with related parties or represent significant shareholders. Whilst 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 asked Mr Secker to remain as a Non-Executive Director to take advantage of his extensive expertise in the lithium industry and his relationships with institutional investors and potential offtakers.

### **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.

ZINNWALD LITHIUM PLC  
CORPORATE GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2022

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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 2022 is set out below:

	31 March	23 June	20 Sept	21 Dec
Jeremy Martin	✓	✓	✓	✓
Anton du Plessis	✓	✓	✓	✓
Cherif Rifaat	✓	✓	✓	✓
Graham Brown	✓	✓	✓	✓
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.

- 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 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 meets at least twice per year.

#### ***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 2022***

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 has now commenced the construction phase of its nickel project in Brazil. Mr Martin holds a BSc (Hons), MSc, ACSM and MSEG.

ZINNWALD LITHIUM PLC  
CORPORATE GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2022

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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 was a corporate and financial adviser to the lithium mining company, Bacanora, since it listed on AIM in 2014. 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.

**Lead Independent Director**

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

### ***Committee Reports – Audit, Remuneration, Sustainability***

See separate documents within this Report.

### ***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@zinwaldlithium.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 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



ZINNWALD LITHIUM PLC  
 AUDIT COMMITTEE STATEMENT  
 FOR THE YEAR ENDED 31 DECEMBER 2022

**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 2022.

During 2022, 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 2022**

**Significant issues and judgements**

In considering the financial results contained in the 2022 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:

<b>Accounting Issue</b>	<b>Summary</b>	<b>Key Action Points by Committee</b>
<b>Critical Judgement and estimates</b>  Impairment assessment of Zinnwald Lithium Project	Review of impairment indicators under IFRS 6 resulted in recommendation of no impairment of Zinnwald Lithium Project assets.	Review of estimates and accounting treatment prepared by CFO. Recommended to the Board for no impairment.
<b>Going concern</b>  Accounting basis of preparation	Reviewed detailed budget and cashflow forecasts for 2023-24 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 2023. Recommended approval of the Budget and that a Going Concern.
<b>Financial Processes</b>  Review of key financial procedures and controls	Review of existing systems, controls and procedures to fully incorporate the financial systems, approval levels and controls of Deutsche Lithium.	Review of updated Financial Reporting Procedures manual. Recommended approval of the updated manual to the Board.
<b>Risk Management Process</b>  Continued development of the risk management process	The Company has updated its risk register and disclosures and is developing a long-term control framework for the management and mitigation of risk.	Review of updated risk register and disclosures of steps taken to mitigate key risks and trends in the Risks themselves.  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 2022. 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.

ZINNWALD LITHIUM PLC  
AUDIT COMMITTEE STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2022

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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 6 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. 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 1.4 to the Consolidated Financial Statements.

For and on behalf of the Audit Committee



**Graham Brown**  
**Chairman of Audit Committee**  
**22 March 2023**

ZINNWALD LITHIUM PLC  
 REMUNERATION COMMITTEE STATEMENT  
 FOR THE YEAR ENDED 31 DECEMBER 2022

**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 2022.

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 Committee met twice to review and score the targets for awards under all schemes relating to the 2021 period, which resulted in awards announced on 15 January 2022. The Committee has met twice since the year end to review and score the targets for the 2022 period and set targets for the next performance periods for all schemes. The Committee made recommendations to the Board in regard to awards under all schemes, which are detailed below and will be issued on conclusion of the current closed period.

**Part 2 - Summary of basic remuneration structures in 2022**

**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 2020 RSU and PSU share-based incentive plans noted below. Executive Director Service Contracts and Salaries for the periods covered by this report are as follows:

Name	Anton du Plessis	Cherif Rifaat
Role	CEO	CFO
Annual Salary as at 31 December 2022	£252,000 <sup>[1]</sup>	£150,000 <sup>[2]</sup>
Annual Salary as at 31 December 2021	£240,000	£100,000
Notice period	6 months	6 months
<b>Incentive Scheme Awards</b>		
RSUs – 2021 Performance period – Vest in January 2024	1,305,249	604,282

*[1] Effective 1 January 2023, his basic annual salary was increased by 8% in line with inflation.*

*[2] Effective 1 January 2023, the Company increased the time requirement from 70% to 100% of his overall working time to reflect his expanded workload and the stage of development of the Zinnwald Project (2021: time requirement increased from 50% to 70%). His annual salary was also increased by 8% in line with inflation.*

For details of Executive Directors emoluments, please refer to Note 32 to the Consolidated Financial Statements for the Euro total remuneration for the year ended 31 December 2022 compared with the year ended 31 December 2021. 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 shows the key terms of their appointment letters:

Name	Roles	Notice	Annual Fees	
			FY 2022	FY 2021
<b>Independent Non-Executive Directors</b>				
Jeremy Martin <sup>[1]</sup>	Non-Executive Chairman of the Board Chairman of the Remuneration Committee Chairman of the Sustainability Committee	6 months	£65,000	£50,000
Graham Brown <sup>[2]</sup>	Non-Executive Director Chairman of the Audit Committee	3 months	£40,000	£30,000
Peter Secker <sup>[3]</sup>	Non-Executive Director	3 months	£40,000	£1

*[1] Effective 1 January 2023, his annual Director Fee was increased by 8% in line with inflation.*

*[2] Effective 1 January 2023, his annual Director Fee was increased by 8% in line with inflation.*

ZINNWALD LITHIUM PLC  
 REMUNERATION COMMITTEE STATEMENT  
 FOR THE YEAR ENDED 31 DECEMBER 2022

[3] Mr Secker was originally the appointee of Bacanora under the terms of the relationship agreement, which expired on 22 December 2021. 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 off-takers, as well as his background with the Zinnwald Lithium Project itself. Effective 1 January 2023, his annual Director Fee was increased by 8% in line with inflation.

For details of Non-Executive Directors emoluments, please refer to Note 32 to the Consolidated Financial Statements for the Euro total remuneration for the year ended 31 December 2022 compared with the year ended 31 December 2021.

**Part 3 – Awards under the 2017 Option Scheme**

This Option scheme was put in place at the time of the Company's original IPO on AIM in November 2017. It is now only eligible for Group Employees, Consultants and Non-Executive Directors (Executive Management are covered by the 2020 RSU and PSU schemes). The basic terms of this scheme are as follows:

- Options are granted at the start of each year based on performance against KPIs for the prior year.
- Options vest one third on date of grant, one third after 12 months, one third after 24 months.
- Options expire 90 days after recipient ceases to be an employee, consultant or Director, 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 as at 31 December 2022. For further detail on all Options please refer to Note 24 to the Consolidated Financial Statements:

Name	Date of Grant	Vested Options	Unvested Options	Expiry Date	Exercise Price
Jeremy Martin	29 Oct'20	100,000	-	28 Oct'25	£0.05
Jeremy Martin	15 Jan'22	83,333	166,667	15 Jan'27	£0.1810
Graham Brown	29 Oct'20	100,000	-	28 Oct'25	£0.05
Graham Brown	15 Jan'22	50,000	100,000	15 Jan'27	£0.1810
Peter Secker	15 Jan'22	50,000	100,000	15 Jan'27	£0.1810
Employees and Consultants	15 Jan'22	1,150,000	2,300,000	15 Jan'27	£0.1810
Total In Issue		1,533,333	2,666,667		

In March 2023, the Remuneration Committee reviewed performance of all eligible participants in the 2017 Option Scheme and recommended that the Board award a provisional total of 2,450,000 Options when the Company exits its current Closed Period. The Pricing for these awards will be based on the Fundraise Price announced at the same time as the publication of these accounts.

**Part 4 – Short Term RSU Incentive Scheme ("2020 RSU Scheme")**

**Scheme Rules**

With effect from 1st October 2020 the Company adopted the RSU Scheme for Executive Management, which was approved by shareholders on 26 October 2020 as part of the RTO of Bacanora's original stake in Deutsche Lithium into Zinnwald. The RSU scheme, in essence, is effectively an annual cash bonus system where the pay-outs are in a form of deferred equity. The rules of the scheme replicate a scheme structure devised for Bacanora by Pearl Meyer in an independent review of executive remuneration in February 2020.

The RSU scheme is a 3-year scheme, in line with best practice, comprising 1 year performance assessment followed by 2 years to automatic vesting in full on that date. Other important terms are as follows:

- Vesting of RSUs after 2 years is taxed through payroll as if a Cash bonus on that date.
- 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 based on assessed scores against KPIs agreed at the start of the year by the Committee relating to personal, financial, strategic and 'Environmental, Social, and Corporate Governance' ("ESG") metrics. The Committee scores performance as a percentage of salary for the period, up to a pre-agreed maximum at the start of the year, divided by the 5 Day VWAP share price at the end of the performance period.

### **Awards for 2022 period**

The pre-agreed maximum percentage of base salary was set at 100% by the Committee at the start of 2022. In February 2023, the Committee reviewed the participants performance against their KPIs and recommended a payout based on 60% of salary and the Company's 5 Day VWAP price at the end of 2022 of 7.08p. A total of 3,406,780 RSUs will be granted when the Company exits its current Closed Period.

### **2023 performance period criteria**

The 2023 performance period will run from 1 January 2023 until 31 December 2023. The maximum percentage of base salary has been set at 100% and new KPIs have been approved.

## **Part 5 –Long Term PSU Incentive Scheme (“2020 PSU Scheme”)**

### **Scheme Rules**

With effect from 1st October 2020 the Company adopted the PSU Scheme for Executive Management, which was approved by shareholders on 26 October 2020 as part of the RTO of Bacanora's original stake in Deutsche Lithium into Zinnwald. The PSU scheme is designed to align Management's long-term share based incentives to the interests and returns to shareholders. The rules of the scheme replicate a scheme structure devised for Bacanora by Pearl Meyer in an independent review of executive remuneration in February 2020.

The PSU scheme is a 5-year scheme, in line with best practice, comprising 3 year performance assessment followed by 2 years to automatic vesting in full on that date. 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. Other important terms are as follows:

- PSUs vest on the 2-year anniversary of grant, but exercise is at the discretion of the recipient.
- PSUs are taxed through payroll on exercise, as if a cash award on that date.
- 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.

Awards are awarded solely based on results against objective corporate metrics set by the Committee at the start of each year, 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.

### **Criteria for the first 3-year performance period to 31 December 2023**

The first performance period runs from 1 October 2020 to 31 December 2023. The Committee recommended a maximum of 100% of base salary divided by the share price at the start of the period being 5p (the RTO price) to determine the maximum potential number of PSU awards. The agreed performance metrics were:

- 50% based on Zinnwald securing ownership of 100% of the Zinnwald Lithium Project.
- 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:
  - 1<sup>st</sup> Quartile vs Peer Group (ie: above 3<sup>rd</sup> ranked peer). PSUs = 100% of RTSR Maximum.
  - 2<sup>nd</sup> Quartile vs Peer Group (ie: above 7<sup>th</sup> ranked peer). PSUs = 50% of RTSR Maximum.
  - 3<sup>rd</sup> Quartile vs Peer Group (ie: above 3<sup>rd</sup> ranked peer). PSUs = 25% of RTSR Maximum.
  - 4<sup>th</sup> Quartile vs Peer Group (ie: above 3<sup>rd</sup> ranked peer). PSUs = Nil.

The recommended Peer Group for the first performance period comprised all of the listed lithium companies that met the criteria of most or all of being European focussed or listed, pre-production and either hard or soft rock in nature. These peer group companies were Bacanora (AIM:BCN), European Metals Holdings (AIM: EMH), Savannah Resources (AIM:SAV), Kodal Minerals (AIM:KOD), Infinity Lithium (ASX:INF), Vulcan Energy Resources (ASX:VUL), European Lithium (ASX:EUR), and Critical Elements (TSX:CRE).

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In terms of potential pay-outs under this first performance period, it is too early to fully assess the performance against RTSR, as there is still one year to go and the general performance of all the peer group companies has been variable in the past two years. Based purely on share price growth, Zinnwald is currently in the third quartile, equating to a 25% pay-out on the RTSR Metric. 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.

***Criteria for the second 3-year performance period to 31 December 2024***

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 the following key corporate milestones.
  - 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.
  - Significant progress on key access agreements, key project permits and licenses.
- 50% based on 'Relative Total Shareholder Return ("RTSR")' against the revised peer group (see below). In terms of assessing the RTSR payout, the objective criteria were agreed as per the above first performance period.

The Peer Group for the second performance period is the same as that of the first performance period, aside from Atlantic Lithium (AIM:ALL) replacing Bacanora. In terms of potential pay-outs under this second performance period, it is too early to fully assess the performance against RTSR and the corporate milestones are still in progress.

***Criteria for the third 3-year performance period to 31 December 2025***

The third performance period runs from 1 January 2023 to 31 December 2025. In terms of any eventual PSU payouts, the share price at the start of the period was 7.08p, 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 – 50% of Base Salary.
- Stretch Case - 100% of Base Salary, if the Share Price stays above 50p for six months.

The agreed primary performance metrics were:

- 50% based on completion of construction funding by end of H1 2025 and start of construction by end of H2 2025.
- 50% based on 'Relative Total Shareholder Return ("RTSR")' against the same peer group and the same RTSR criteria as for the second performance period.

For and on behalf of the Remuneration Committee



**Jeremy Martin**  
**Chairman of Remuneration Committee**  
**22 March 2023**

**Part 1 – Sustainability Statement from the Chairman**

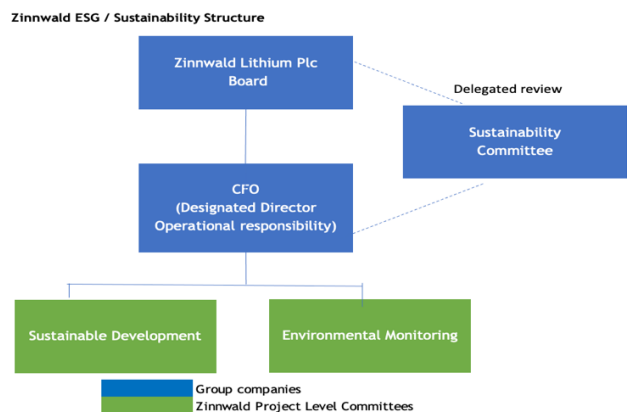
On behalf of the Board, I am pleased to present this report on behalf of the Sustainability Committee (the “Committee”), covering the activities for the twelve months ended 31 December 2022. We use the words Sustainability and ESG (Environmental, Social and Governance) on an interchangeable basis. A summary of the Committee’s role, membership and relevant qualifications can be found in the corporate governance section herein or the QCA statement on the website.

The Zinnwald Board continues to provide leadership and support to our senior management team in order to achieve sustainable added value for shareholders. The Board is responsible for enabling the efficient operation of the Group by providing adequate financial and human resources and an appropriate system of financial control to ensure these resources are fully monitored and utilised. The Board believes strongly in the value and importance of good corporate governance and in its accountability to all of its stakeholders. Robust corporate governance improves performance and mitigates risk and therefore is an important factor in achieving the medium to long-term success of the Group. In addition, the Group recognises its responsibility across ESG more widely through incorporation of transparent environmental and social policies and metrics within its business plan. The Board believes that the promotion of a corporate culture based on sustainability, sound ethical values and behaviours is essential to maximise shareholder value.

The Group maintains a Code of Conduct that includes clear guidance on what is expected of every employee and officer of the Group. Adherence of these standards is a key factor in the evaluation of performance within the Group, including during annual performance reviews.

**Part 2 – Sustainability Structure and Reporting**

This Chart outlines Zinnwald’s sustainability structure and lines of reporting. The Board retains ultimate responsibility for all matters but has delegated regular review and oversight to the Committee. As the Group moves through the phases from BFS through permitting and on to construction, it will develop a regular reporting structure to ensure its Sustainability philosophy is adhered to, monitored and reported on an appropriate basis.



The Group has subscribed to the QCA Corporate Governance Code since 2019. In 2021, the QCA published its recommendations for AIM Companies for ESG Reporting that contained five recommended steps, as follows:

1. Develop a clear purpose Statement (see Part 3 below).
2. Undertake an ESG Materiality Statement (see Part 4 below).
3. Be aware of what others are saying and be prepared to respond.
4. Understand what data you have and what data you will need to gather (see Part 5 below).
5. Take control: decide what to disclose and where; be proactive in your communication.

**Part 3 – Zinnwald’s Sustainability Purpose Statement**

At Zinnwald, we view sustainability as a guiding principle of our development strategy and are dedicated to delivering on the commitments to our shareholders, future investors, clients, employees, local communities, and other stakeholders with this in mind. We believe that transparency and ethical behaviour are central to any successful Group and undertake all development with respect to the environment and neighbouring communities. We have the following over-arching Sustainability Philosophy that governs everything we do, which we keep regularly under review:

- Promote responsibility for the environment within the organisation and communicate and implement this policy at all levels within the workforce.
- integrate positively with local communities.

- Reduce the use of energy, water and other resources.
- Minimise waste by reduction, re-use and recycling methods.
- Comply with all relevant environmental legislation/regulation.
- Ensure that our policies and services are developed in a way that is complimentary to this policy.
- Do not prioritise funding needs ahead of sustainability requirements.
- Encourage all stakeholders to commit to the sustainable development philosophy.
- Identify and provide appropriate training, advice and information for staff and encourage them to develop new ideas and initiatives.
- Provide appropriate resources to meet the commitments of this policy.
- Promote and encourage involvement in local environmental initiatives/schemes.

#### Part 4 – ESG Stakeholders, Material Risks, KPIs

The Committee has identified an initial high-level assessment of our major stakeholders and our Material ESG Risks (see below). As we move forward, we will need to drill down into the following key areas to assist in the establishment of baseline assessments, ongoing reporting and strengthening our operational policies and activities.

- Identify detailed list of Stakeholders – Who are they? What are their interests & expectations? How do we engage? How will they change over time?
- Identify detailed material ESG Risks – Based on latest guidance (GRI, UNSDG, SASB etc).
- Engage with individual stakeholders to build up a Heat Map of Material Risks.

Major Stakeholders	Material ESG Risks
Shareholders	GHG – Scope 1 and Scope 2
Offtake Partners	Air Quality
Contractors and Suppliers	Energy management
Local communities	Water management
Customers	Waste and Hazardous material management
Authorities – State (Saxony) / National	Biodiversity impacts
Organisations – NGOs, Associations	Community Relations
Media	Labour relations
	Workforce Health and Safety
	Business Ethics and Transparency

#### Part 5 - External Reporting Frameworks and Initiatives

The Group will align itself to the Equator Principles - EP4, a risk management framework adopted by financial institutions for determining, assessing and managing environmental and social risks of investments. The Group is also evaluating the utilisation of the Global Reporting Initiative (“GRI”) Standards to form the structure of its ongoing reporting and measurement of its ESG performance.

The Group also aligns itself to the UN Sustainable Development Goals (“SDGs”), which are a collection of 17 interlinked global goals supported by 5448 actions. The Group will undertake a process to identify our initial and future contributions to the UN SDGs on a local and global scale.

#### Part 6 – Progress made in 2022

On **Environmental** matters, the Group’s PEA demonstrates that the revised Project has the potential to be one of the most sustainable and low waste lithium projects globally. Its flowsheet compares favourably with the main other options in terms of water consumption, energy usage, transport costs and CO2 footprint. It has the potential to be a low or zero waste project, as vast majority of both its mined product and co-products have their own large-scale end-markets. At the end of 2022, the Group started the process to secure its Mandatory Framework Operation Plan (“MFOP”) permit required for the commencement of all operations. The MFOP permit includes all required environmental permits.

In 2022, in line with its strict environmental policy, the Group closely monitoring site conditions with regards to current drilling activities at the Zinnwald and Falkenhain licenses. It held frequent coordination meetings with the regional nature protection agency and environmental surveyors have been held. The preservation of the existing nature and areas of recreation is a key concern to the Group. Furthermore, environmental surveys were completed at areas under consideration for the Project. The surveys will be utilised to determine the scope of the Environmental Impact Assessment (“EIA”).



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On ***Social*** matters, the Group's PEA demonstrates that the revised project is expected to generate more than 450 direct jobs in a brownfield historic mining region in the long term. It also expects to generate at least €2 billion in tax revenues over the initial mine plan, of which half goes directly to the local area. The Group maintains a positive relationship with the local community and continuously engages with various local organisations and authorities. Furthermore, the Group has donated to several local associations and public institutions such as the local Kindergarten and the volunteer fire brigade.

As part of the public engagement effort, an encouraging consultation and information meeting was held in the village of Zinnwald in March 2022 to explain the drill programme and plans to develop the Project. In order to assist in keeping the public and the authorities informed about the Project, a local project office has been in operation throughout the ongoing drilling campaign, to address any questions by local stakeholders.

On a wider front with EU associations, in December 2022, the Group formally joined the European Battery Alliance and is exploring options for further collaboration. In May 2022, the Group joined the "Exploration Information Systems" project, part of the EU funded Horizon Europe Research and Innovation scheme. The research project focuses on developing new exploration techniques. The Group believes that such projects are crucial in securing the necessary materials for future generations and is proud to contribute to this effort by providing a case study site in Germany.

In the area of ***Governance***, the Company is already a UK listed Plc with a commitment and obligation to maintain the highest levels of transparency and corporate governance standards. The Group adheres to the QCA Corporate Governance Code and has established this Committee to ensure best practice with regard to ESG obligations. The Committee has established the Group's core Sustainability philosophy and is working on refining and expanding on existing ESG Policies.

#### **Part 7 – Plans for 2023**

The Group has an extensive set of plans for 2023. On the ***Environmental*** front, the Group's primary focus will be on progressing its Permitting applications. It has been agreed that the Saxony Mining Authority will be the determining body for the overall permitting pathway for the processes permitted under the Mining Act (includes the mine, its associated infrastructure and the mechanical separation plant) and the Bundesimmissionsschutzgesetz (BImSchG) (Federal Emission Protection Act). The Group has submitted its first draft of the Scoping Plan for this process and will be engaging with the authorities throughout the year.

The Group has already started its environmental baseline surveys for the areas under consideration, which need to run for four seasons. The Group has started work on its comprehensive Environmental and Social Impact Assessment study. The Group is also considering an independent Life Cycle Assessment to deliver ISO compliant assessment of Production process, including comparison to rival processes, which would be useful for engagement with all key stakeholders (Governments, Investors, Customers).

On the ***Social*** front, the Group will continue and expand on its engagement with its key stakeholders. For the local community, we will ensure that any questions or concerns are addressed and dealt with promptly. For governmental bodies, we will work closely with Saxony, National and EU bodies to demonstrate the benefits of Zinnwald as a Critical European project.

On the Governance side, we will address outstanding items noted above from the QCA's recommendations. We will commence the ESG Materiality Assessment, both internally and externally. We will commence and initial assessment of our reporting structures and KPIs. We will also expand on our disclosures on our Website, through Social Media and direct Investor engagement.

For and on behalf of the Sustainability Committee



**Jeremy Martin**  
**Chairman of Sustainability Committee**  
**22 March 2023**

## 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 2022 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 2022 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 directors' 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 30 June 2024. 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 €453,000 (2021: €460,000) and €450,000 (2021: €105,000) respectively, based on 2% of gross assets for both the Group and parent company.

The use of asset-based materiality reflects the ongoing investment in Deutsche Lithium GmbH and exploration work. 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 on a Group basis and on the recoverability of the loans to the subsidiaries or investments therein in respect of the parent company.

Component materiality for all entities within the group was set lower than our overall group materiality and ranged from €75,000 to €453,000. Performance materiality for the group, and all significant components including the parent company, was set at 70% 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 (2021: €23,000).

**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, and recoverability of investments, 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
<p><b>Valuation and recoverability of intangible assets (refer note 15)</b></p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Management has outlined their key judgements and sources of estimation uncertainty in note 2 of the financial statements.</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> <li>• Agreeing additions during the year to invoice/supporting documentation; ensuring that the expenditure is eligible to be capitalised in accordance with IFRS 6;</li> <li>• Assessing management's impairment review, taking into account both internal and external indicators and impairment indicators per IFRS 6;</li> <li>• Verifying title to project licenses and compliance with the terms therein;</li> <li>• Assessing progress on the exploration projects during the year; and</li> <li>• Ensuring licenses are still valid and that any performance conditions / minimum expenditure requirements were met during the year.</li> </ul> <p>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.</p>
<p><b>Accounting for investment in subsidiaries</b></p> <p>There is a risk that investments held by the parent company could be materially misstated if the assets are not appropriately assessed for impairment or when there is material error in the calculation whether unintentionally or as a result of management bias.</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> <li>• Inspecting the individual financial statements of the entities in which ZLP has an interest, net assets/liability position and liquidity so as to identify an impairment indicator which will influence our review of the impairment review and carrying value of the investments/goodwill.</li> <li>• Assessing the recoverability of the investments by reference to the underlying projects.</li> <li>• Reviewing management's impairment assessment and reperform the procedures to verify its accuracy.</li> </ul>

### **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.

ZINNWALD LITHIUM PLC  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2022

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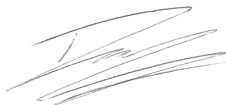
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from the Companies Act 2006, international accounting standards, AIM regulations and the operating terms set out in the exploration licenses. We designed our audit procedures 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](http://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.



**Daniel Hutson (Senior Statutory Auditor)**  
**For and on behalf of PKF Littlejohn LLP**  
**Statutory Auditor**  
**22 March 2023**

15 Westferry Circus  
Canary Wharf  
London, E14 4HD

ZINNWALD LITHIUM PLC  
GROUP STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022

		31 December 2022	31 December 2021
	Notes	€	€
<b>Continuing operations</b>			
Exploration projects impairment		-	(1,583,566)
Administrative expenses		(1,850,129)	(1,122,534)
Other operating income		42,948	779
Share based payments charge	25	(545,225)	(7,779)
		<hr/>	<hr/>
Operating Loss		(2,352,406)	(2,713,100)
Revaluation gain on joint venture	7	-	1,038,252
Share of loss of joint venture	10	-	(52,911)
Finance income	9	191	455
		<hr/>	<hr/>
Loss before taxation		(2,352,215)	(1,727,304)
Tax on loss	12	-	-
		<hr/>	<hr/>
Loss for the financial year	30	(2,352,215)	(1,727,304)
Other Comprehensive Income		(138)	181
		<hr/>	<hr/>
Total comprehensive loss for the year		(2,352,353)	(1,727,123)
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share from continuing operations attributable to the owners of the parent company	13		
Basic (cents per share)		(0.80)	(0.74)

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 2022

	Notes	31 December 2022 €	31 December 2021 €
<b>Non-current assets</b>			
Intangible Assets	14	18,966,165	16,165,085
Property, plant and equipment	15	327,528	48,621
Right of Use Assets	16	185,285	-
		<u>19,478,978</u>	<u>16,213,706</u>
<b>Current assets</b>			
Trade and other receivables	20	309,795	121,845
Cash and cash equivalents		3,164,585	8,291,991
		<u>3,474,380</u>	<u>8,413,836</u>
<b>Total Assets</b>		<u>22,953,358</u>	<u>24,627,542</u>
<b>Current liabilities</b>			
Trade and other payables	21	583,660	638,660
Lease Liabilities	16	140,149	-
		<u>723,809</u>	<u>638,660</u>
<b>Net current assets</b>		<u>2,750,570</u>	<u>7,715,176</u>
<b>Non-current Liabilities</b>			
Deferred tax liability	22	(1,382,868)	(1,382,868)
Lease Liabilities > 1 Year	16	(47,795)	-
		<u>(1,430,663)</u>	<u>(1,382,868)</u>
Total Liabilities		<u>(2,154,472)</u>	<u>(2,021,528)</u>
<b>Net Assets</b>		<u>20,798,886</u>	<u>22,606,014</u>
<b>Equity</b>			
Share capital	26	3,316,249	3,316,249
Share premium	27	20,289,487	20,289,487
Other reserves	28	1,367,868	822,781
Retained earnings	30	(4,174,718)	(1,822,503)
<b>Total equity</b>		<u>20,798,886</u>	<u>22,606,014</u>

The financial statements were approved by the board of directors and authorised for issue on 22 March 2023 and are signed on its behalf by;



Jeremy Martin  
Director



Cherif Rifaat  
Director

Company Registration No: 10829496

Rwnc rcvr fcpo

ZINNWALD LITHIUM PLC  
 COMPANY STATEMENT OF FINANCIAL POSITION  
 AS AT 31 DECEMBER 2022

	Notes	31 December 2022 €	31 December 2021 €
<b>Non-current assets</b>			
Property, plant and equipment	15	2,567	3,302
Investments	17	14,523,375	14,523,375
		<u>14,525,942</u>	<u>14,526,677</u>
<b>Current assets</b>			
Trade and other receivables	20	5,204,018	1,233,814
Cash and cash equivalents		2,748,145	7,998,680
		<u>7,952,163</u>	<u>9,232,494</u>
<b>Total Assets</b>		<u>22,478,105</u>	<u>23,759,171</u>
<b>Current liabilities</b>			
Trade and other payables	21	110,754	270,430
		<u>110,754</u>	<u>270,430</u>
<b>Net current assets</b>		<u>7,841,409</u>	<u>8,962,064</u>
Total liabilities		<u>110,754</u>	<u>270,430</u>
<b>Net Assets</b>		<u>22,367,351</u>	<u>23,488,741</u>
<b>Equity</b>			
Share capital	26	3,316,249	3,316,249
Share premium	27	20,289,487	20,289,487
Other reserves	28	679,136	134,049
Retained earnings	30	(1,917,521)	(251,044)
<b>Total equity</b>		<u>22,367,351</u>	<u>23,488,741</u>

As permitted by s408 Companies Act 2006, the company has not presented its own income statement. The company's loss for the period was €1,666,447 (2021: loss of €1,240,505).

The financial statements were approved by the board of directors and authorised for issue on 22 March 2023 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 2022

	Notes	Share Capital	Share premium account	Other reserves	Retained earnings	Total
		€	€	€	€	€
<b>Balance at 1 January 2021</b>		2,278,155	7,362,699	814,821	(95,199)	10,360,476
<b>Year ended 31 December 2021</b>						
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		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	25	-	-	7,779	-	7,779
Total transactions with owners recognised directly in equity		1,038,094	12,926,788	7,779	-	13,972,661
<b>Balance at 31 December 2021 and 1 January 2022</b>		3,316,249	20,289,487	822,781	(1,822,503)	22,606,014
<b>Year ended 31 December 2022</b>						
Loss for the year		-	-	-	(2,352,215)	(2,352,215)
Other comprehensive income						
Currency translation differences		-	-	(138)	-	(138)
Total comprehensive income for the year		-	-	(138)	(2,352,215)	(2,352,353)
Credit to equity for equity settled share-based payments	25	-	-	545,225	-	545,225
Total transactions with owners recognised directly in equity		-	-	545,225	-	545,225
<b>Balance at 31 December 2022</b>		3,316,249	20,289,487	1,367,868	(4,174,718)	20,798,886

ZINNWALD LITHIUM PLC  
COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share Capital	Share premium account	Other reserves	Retained earnings	Total
		€	€	€	€	€
<b>Balance at 1 January 2021</b>		2,278,155	7,362,699	126,089	989,461	10,756,404
<b>Year ended 31 December 2021</b>						
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		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	25	-	-	7,779	-	7,779
Total transactions with owners recognised directly in equity		1,038,094	12,926,788	7,779	-	13,972,661
<b>Balance at 31 December 2021 and 1 January 2022</b>		3,316,249	20,289,487	134,049	(251,044)	23,468,741
<b>Year ended 31 December 2022</b>						
Loss for the year		-	-	-	(1,666,477)	(1,666,477)
Other comprehensive income						
Currency translation differences		-	-	(138)	-	(138)
Total comprehensive income for the year		-	-	(138)	(1,666,477)	(1,666,615)
Credit to equity for equity settled share-based payments	25	-	-	545,225	-	545,225
Total transactions with owners recognised directly in equity		-	-	545,225	-	545,225
<b>Balance at 31 December 2022</b>		3,316,249	20,289,487	679,136	(1,917,521)	22,367,351

ZINNWALD LITHIUM PLC  
GROUP STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Year ended 31 December 2022		Year ended 31 December 2021	
		€	€	€	€
<b>Cash flows from operating activities</b>					
Cash used in operations	33		(1,904,776)		(495,174)
<b>Net cash outflow from operating activities</b>			<u>(1,904,776)</u>		<u>(495,174)</u>
<b>Cash flows from investing activities</b>					
Investment in Deutsche Lithium as Joint Venture		-		(735,800)	
Purchase of remaining 50% of Deutsche Lithium		-		(1,500,000)	
Cash acquired on purchase of Deutsche Lithium		-		486,213	
Exploration expenditure in Germany		(2,802,075)		(948,157)	
Exploration expenditure in Ireland and Sweden		-		(37,455)	
Purchase of property, plant and equipment		(351,217)		(8,437)	
Proceeds on disposal of equipment		26,471			
Interest received		191		455	
<b>Net cash used in investing activities</b>			<u>(3,126,630)</u>		<u>(2,743,181)</u>
<b>Cash flows from financing activities</b>					
Proceeds from the issue of shares		-		6,927,255	
Share issue costs		-		(243,436)	
Lease payments		(96,000)		-	
<b>Net cash generated from financing activities</b>			<u>(96,000)</u>		<u>6,683,819</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>			<u>(5,127,406)</u>		<u>3,445,464</u>
Cash and cash equivalents at beginning of year			8,291,991		4,846,527
<b>Cash and cash equivalents at end of year</b>			<u><u>3,164,585</u></u>		<u><u>8,291,991</u></u>

ZINNWALD LITHIUM PLC  
COMPANY STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Year ended 31 December 2022		Year ended 31 December 2021	
		€	€	€	€
<b>Cash flows from operating activities</b>					
Cash used in operations	34		(1,272,040)		(609,438)
<b>Net cash outflow from operating activities</b>			(1,272,040)		(609,438)
<b>Cash flows from investing activities</b>					
Investment in Deutsche Lithium as Joint Venture		-		(735,800)	
Purchase of remaining 50% of Deutsche Lithium		-		(1,500,000)	
Purchase of property, plant and equipment		(696)		(498)	
Interest received		191		455	
<b>Net cash used in investing activities</b>			(505)		(2,235,843)
<b>Cash flows from financing activities</b>					
Proceeds from the issue of shares		-		6,927,255	
Share issue costs		-		(243,436)	
Loans to group undertakings		(3,977,990)		(682,712)	
<b>Net cash generated from financing activities</b>			(3,977,990)		6,001,107
<b>Net (decrease)/increase in cash and cash equivalents</b>			(5,250,535)		3,155,826
Cash and cash equivalents at beginning of year			7,998,680		4,842,854
<b>Cash and cash equivalents at end of year</b>			2,748,145		7,998,680

## 1. Accounting Policies

### 1.1 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 group consists of Zinnwald Lithium Plc and its wholly owned subsidiaries as follows as at 31 December 2022.

Name of undertaking	Registered office	Nature of business	Class of shares held	Direct holding	Indirect holding
Deutsche Lithium Holdings Ltd	United Kingdom	Exploration	Ordinary	100.0%	-
Erris Zinc Limited	Ireland	Exploration	Ordinary	100.0%	-
Deutsche Lithium GmbH	Germany	Exploration	Ordinary	-	100.0%

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 Junger-Loewe-Schacht 10, 09599, 09599, Freiberg, Germany.

### 1.2 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 2022 was 1.12759.

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.

### 1.3 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.

All financial statements are made up to 31 December 2022. 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.

#### 1.4 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 Group had a cash balance of €2.1m at the year end and keeps a tight control over all expenditure. The Board has a strategy to enable the curtailing of a number of areas of expenditure to enable it to meet its minimum fixed costs for the next 12 months, even without raising further funds, whilst still maintaining all licenses in good standing. However, as announced at the date of this report, it is completing a material fund raise to finance further development of the Project and meet Group expenditures. Thus, the going concern basis of accounting in preparing the Financial Statements continues to be adopted.

#### 1.5 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.

#### 1.6 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	No depreciation is charged on these balances
Plant and equipment	25% on cost
Fixtures and fittings	25% on cost
Computers	25% on cost
Motor vehicles	16.7% on cost for new vehicles, 33.3% on cost for second-hand vehicles
Low-value assets (Germany)	100% on cost on acquisition for items valued at less than €800

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.

#### 1.7 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.

#### 1.8 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.

### 1.9 Cash and cash equivalents

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

### 1.10 Right of Use Assets and Lease Liabilities

On 1 January 2019, the Group adopted IFRS 16, which supersedes IAS 17 and sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. All leases are accounted for by recognising a right-of-use assets due to a lease liability except for:

- Lease of low value assets; and
- Leases with duration of 12 months or less

The Group reviews its contracts and agreements on an annual basis for the impact of IFRS 16. The Group has such short duration leases and lease payments are charged to the income statement with the exception of the Group's lease for the Freiberg office and core shed.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

### 1.11 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.

***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.

**1.12 Equity instruments**

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

**1.13 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.

**1.14 Retirement benefits**

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

**1.15 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.

#### **1.16 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.

#### **1.17 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.

#### **1.18 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.

#### **1.19 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.

### **1.20 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').

### **1.21 New standards, amendments and interpretations not yet adopted**

Aside from the impact of IFRS 16, as noted above, 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 4 and IFRS 17 – Insurance Contracts (effective 1 January 2023)
- IAS 12 amendments – Income Taxes: Deferred tax relating to single transaction (effective 1 January 2023)
- IAS 1 amendments - Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current (effective 1 January 2023)
- IAS 1 amendments – Presentation of Financial Statements: Disclosure of Accounting Policies (effective 1 January 2023), and
- IAS 8 amendments – Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective 1 January 2023)

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 applied 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.

#### ***Impairment of Capitalised Exploration Costs***

Group capitalised exploration costs had a carrying value as at 31 December 2022 of €18,966,165 (2021: €16,165,085), which solely relate to the Zinnwald Lithium Project. Management tests annually whether capitalised exploration costs have a carrying value in accordance with the accounting policy stated in note 1.6. 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 Germany, Deutsche Lithium's core mining license at Zinnwald is valid to 31 December 2047, which underpins the PEA published in September 2022. Deutsche Lithium has additional exploration licenses at Falkenheim (recently renewed for a further three years to 31 December 2025), at Altenberg to 15 February 2024 and at Sadisdorf to 30 June 2026. The PEA showed a material increase in size and output of the Project and underpinned a pre-tax NPV of \$1.6m and a post-tax NPV of \$1.0m and post-tax IRR of 29%. Accordingly, the Board has concluded that no impairment charge is required for these assets.

In Ireland, the Group retains a single license at the Abbeytown Zinc Project (PL 3735), which is valid to 2025. The historic exploration work identified excellent mineralisation in its drill holes and the metallurgical review has shown a good quality concentrate can be produced. The Group is no longer focussed on Ireland and put the license on care and maintenance in 2021 whilst it looked for a Partner to take the asset forward. The Company fully impaired the carrying value of this asset in its 2021 accounts and accordingly no further impairments are required. In March 2023, the Group announced that it would be selling the Abbeytown Project to Ocean Partners Ltd in return for a 1% Net Smelter Royalty and a €200,000 payment due six months after the start of commercial production.

In Sweden, in 2021 the Company surrendered all assets and licenses to the Swedish authorities. The assets had been fully impaired in previous periods and all balances have been removed from the Group accounts in 2022.

### **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 Euros, as the majority of its current and planned expenditure will be on the Zinnwald Lithium Project in Germany. The Company took advantage of the strong GBP:Euro exchange rate at the end of 2021 to convert £5m of cash raised in December 2021 into Euros to match its planned spend for 2022.

#### ***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. The Group's cash and cash equivalents is held at major financial institutions.

#### ***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. The Group has no material fixed cost overheads other than its costs of being listed on the AIM market and its lease in Freiberg. None of its employee contracts have notice periods of longer than six months and its exploration expenditure is inherently discretionary.

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#### 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 primarily relates to the historic Abbeytown Zinc Project.

	<b>Non-core Assets</b> <b>2022</b>	<b>Germany</b> <b>2022</b>	<b>UK</b> <b>2022</b>	<b>Total</b> <b>2022</b>
	€	€	€	€
Administrative expenses	(6,308)	(453,620)	(1,364,522)	(1,824,450)
Share based payment charge	-	-	(545,225)	(545,225)
Project impairment	-	-	-	-
Gain/loss on foreign exchange	-	-	(25,679)	(25,679)
Other operating income	-	42,948	191	43,139
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Loss from operations per reportable segment	(6,308)	(410,672)	(1,935,235)	(2,352,215)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Reportable segment assets	8,837	19,225,340	3,719,181	22,953,358
Reportable segment liabilities	-	1,855,795	296,677	2,154,472

	<b>Non-core Assets</b> <b>2021</b>	<b>Germany</b> <b>2021</b>	<b>UK</b> <b>2021</b>	<b>Total</b> <b>2021</b>
	€	€	€	€
Administrative expenses	(6,270)	(151,979)	(1,206,383)	(1,364,632)
Share based payment charge	-	-	(7779)	(7779)
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)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Loss from operations per reportable segment	(1,589,837)	(204,111)	66,644	(1,727,304)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
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

#### 5 Operating loss

	<b>Group</b> <b>2022</b>	<b>2021</b>
	€	€
Operating loss for the year is stated after charging / (crediting)		
Exchange (gains)/losses	25,679	(242,098)
Depreciation of property, plant and equipment	49,990	7,077
Depreciation of Right of Use Assets	93,405	
Amortisation of intangible assets	995	829
Ireland and Sweden exploration projects impairment	-	1,583,566
Share-based payment expense	545,225	7,779
Operating lease charges	70,591	39,098
Exploration costs expensed	412,722	143,735
	<u>          </u>	<u>          </u>

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**6 Auditor's remuneration**

Fees payables to the company's auditor and associates	<b>2022</b>	<b>2021</b>
	€	€
<b>For audit services</b>		
Audit of group, parent company and subsidiary undertakings	62,774	41,952
	<u>          </u>	<u>          </u>
<b>For other services</b>		
Taxation compliance services	4,343	3,500
	<u>          </u>	<u>          </u>

**7 Other gains and losses**

	<b>2022</b>	<b>2021</b>
	€	€
Gain on re-measurement of initial 50% interest in Deutsche Lithium	-	1,038,252
	<u>          </u>	<u>          </u>

**8 Employees**

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

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
Directors	5	5	5	5
Employees	14	6	1	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	19	11	6	5
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Their aggregate remuneration comprised

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	€	€	€	€
Wages and salaries	1,300,065	870,447	709,370	589,688
Social security costs	142,586	111,925	86,266	71,302
Pension costs	98,457	38,005	52,067	38,005
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	1,541,109	1,020,377	847,703	698,995
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Aggregate remuneration expenses of the group include €559 516 (2021: €225,499) of costs capitalised and included within non-current assets of the group.

Aggregate remuneration expenses of the company include €nil (2021: €Nil) of costs capitalised and included within non-current assets of the group.

Directors' remuneration is disclosed in note 32.

**9 Finance income**

	<b>Group</b>	<b>2021</b>
	2022	€
	€	€
<b>Interest income</b>		
Interest on bank deposits	191	455
	<u>          </u>	<u>          </u>

## 10 Share of results in Joint Venture

	Group 2022 €	2021 €
Share of loss in joint venture	-	(52,911)

## 11 Impairments

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

	Notes	2022 €	2021 €
In respect of Intangible assets	14	-	1,583,566
Recognised in Administrative expenses		-	1,583,566

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

## 12 Taxation

	Group 2022 €	2021 €
Loss before taxation	(2,352,215)	(1,727,304)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(446,921)	(328,188)
Disallowable expenses	171,828	11,531
Non-taxable gains	-	(197,268)
Unutilised tax losses carried forward	275,093	513,925
Taxation (credit) / charge for the year	-	-

Losses available to carry forward amount to €5,525,000 (2021: €3,730,000). 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

	2022 €	2021 €
Weighted average number of ordinary shares for basic earnings per share	293,395,464	232,669,857
Effect of dilutive potential ordinary shares		
- Weighted average number of outstanding share options	5,695,342	2,265,890
Weighted average number of ordinary shares for diluted earnings per share	299,090,806	234,935,747



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**15 Property plant and equipment**

Group	Leasehold, land and buildings €	Fixtures, fittings and equipment €	Motor vehicles €	Total €
<b>Cost</b>				
At 1 January 2022	9,817	24,642	32,427	66,886
Additions – group funded	31,173	263,695	56,349	351,217
Disposals - group	-	(10,864)	(22,183)	(33,047)
Exchange adjustments	-	(278)	-	(278)
At 31 December 2022	40,990	277,195	66,593	384,778
<b>Depreciation and impairment</b>				
At 1 January 2022	-	13,143	5,122	18,265
Depreciation charged for the year	-	37,498	12,492	49,990
Depreciation on disposals	-	(10,864)	-	(10,864)
Exchange adjustments	-	(141)	-	(141)
At 31 December 2022	-	39,636	17,614	57,250
<b>Carrying amount</b>				
At 31 December 2022	40,990	237,559	48,979	327,528
At 31 December 2021	9,817	11,499	27,305	48,621

Company	Computers €
<b>Cost</b>	
At 1 January 2022	4,665
Additions – group funded	696
Exchange adjustments	(278)
At 31 December 2022	5,083
<b>Depreciation and impairment</b>	
At 1 January 2022	1,364
Depreciation charged for the year	1,291
Exchange adjustments	(139)
At 31 December 2022	2,516
<b>Carrying amount</b>	
At 31 December 2022	2,567
At 31 December 2021	3,301

**16 Right of Use Assets and Lease Liabilities**

In May 2022, Deutsche Lithium GmbH entered into a commercial lease agreement for an office and core shed property in Freiberg, Germany. The duration of the lease is for 2 years. The instalments for the lease are €12,000 per month, fixed for the duration of the lease.

The right of use asset and lease liability was recognised on 1 May 2022 on inception of the lease. Movements in the period are shown as follows:



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	€
<b>Right of use asset</b>	
Initial Recognition on 1 May 2022	278,690
Depreciation charged in the period	(93,405)
	<hr/>
Balance as at 31 December 2022	185,285
	<hr/>
<b>Lease Liability</b>	
Initial Recognition on 1 May 2022	266,690
Interest charged for the period	5,254
Lease payments in the period	(84,000)
	<hr/>
Balance as at 31 December 2022	187,944
	<hr/>
- Recognised in Short Term Payables	140,149
- Recognised in Payables >1 year	47,795

**17 Fixed asset investments**

Company	2022	2021
	€	€
Investments in subsidiaries	14,523,375	14,523,375
	<hr/> <hr/>	<hr/> <hr/>

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

**Movement in non-current investments**

	Shares in group undertakings
<b>Cost</b>	
At 1 January 2022 and at 31 December 2022	14,523,375
	<hr/>
<b>Carrying amount</b>	
At 31 December 2021 and at 31 December 2022	14,523,375
	<hr/> <hr/>

The investment in Deutsche Lithium Holdings Ltd comprises the following balances

	€
<b>Original investment in DLH – Prior to AIM IPO in 2017</b>	
Initial acquisition of shares in Erris Resources Ltd (now DLH)	169,089
<b>Acquisition of remaining 50% of Deutsche Lithium GmbH</b>	
Carrying value of investment in Deutsche Lithium GmbH at 24 June 2021	4,534,972
Shares issued to acquire the remaining 50%	7,281,062
Cash paid to acquire the remaining 50%	1,500,000
Fair Value adjustment on revaluation	1,038,252
	<hr/>
Value of Investment	14,523,375
	<hr/> <hr/>

**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.

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	€		€
Value of second acquisition	8,781,062	Control premium (30%) of Net Value	2,388,525
Less: Cash in company	(486,213)	Fair Value of original investment	5,573,224
Less: Free Carry eliminated	(333,100)	Cash	486,213
		Release of obligation	333,100
	<hr/>		<hr/>
Net Value of second acquisition	7,961,749	Value of second Acquisition	8,781,062
		Carrying Value at 24 June 2021	4,534,972
		Gain recognised on revaluation	1,038,252

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.

<b>Fair Value of consideration given to acquire the controlling interest</b>	€
Cash payment of €1.5m	1,500,000
Issuance of 49,999,996 new ordinary shares	7,281,062
	<hr/>
Total consideration	8,781,062
Fair value of 50% investment in Deutsche Lithium as at 24 June 2021	5,573,224
	<hr/>
	14,354,286
Fair value of net assets acquired in Deutsche Lithium as at 24 June 2021	(8,822,812)
	<hr/>
Goodwill – re-allocated to Deutsche Lithium intangible exploration assets at 31 December 2021	5,531,474
	<hr/> <hr/>

## 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 2022	2021	Company 2022	2021
	€	€	€	€
<b>Financial instruments at amortised cost</b>				
Trade and other receivables	309,795	121,845	5,204,018	1,233,814
Cash and bank balances	3,164,585	8,291,991	2,748,145	7,998,680
	<hr/>	<hr/>	<hr/>	<hr/>
	3,474,380	8,413,836	7,952,163	9,232,494
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Financial liabilities at amortised cost</b>				
Trade and other payables	583,660	614,859	75,780	270,430
	<hr/>	<hr/>	<hr/>	<hr/>
	583,660	614,859	75,780	270,430
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 20 Trade and other receivables

	Group		Company	
	2022	2021	2022	2021
Amounts falling due within one year:	€	€	€	€
Amounts owed by group undertakings	-	-	5,157,859	1,179,869
Other receivables	248,692	83,982	14,026	21,891
Prepayments and accrued income	61,103	37,863	32,133	32,054
	<u>309,795</u>	<u>121,845</u>	<u>5,204,018</u>	<u>1,233,814</u>

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	
	2022	2021	2022	2021
Euros	256,008	63,591	271,911	156,367
British Pounds	53,787	58,254	4,932,107	1,077,447
	<u>309,795</u>	<u>121,845</u>	<u>5,204,018</u>	<u>1,233,814</u>

## 21 Trade and other payables

	Group		Company	
	2022	2021	2022	2021
Amounts falling due within one year:	€	€	€	€
Trade payables	321,277	313,391	10,468	66,498
Other taxation and social security	34,974	23,802	34,974	23,802
Other payables	13,082	13,509	-	-
Accruals and deferred income	214,327	287,958	65,312	180,130
	<u>583,660</u>	<u>638,660</u>	<u>110,754</u>	<u>270,430</u>

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	
	2022	2021	2022	2021
Euros	459,637	330,443		-
British Pounds	124,023	308,217		270,430
	<u>583,660</u>	<u>638,660</u>	<u></u>	<u>270,430</u>

## 22 Deferred taxation

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

Group	Liabilities	Liabilities
	2022	2021
	€	€
Deutsche Lithium intangible assets – fair value adjustment	<u>1,382,868</u>	<u>1,382,868</u>

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.

## 23 Retirement benefit schemes

Defined contribution scheme	2022 €	2021 €
Charge to profit or loss in respect of defined contribution schemes	52,067	38,005

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.

## 24 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.

### 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 2022		Year ended 31 December 2021	
	Average exercise price in £ per share	Number of Options	Average exercise price in £ per share	Number of Options
At beginning of year	£0.0920	1,900,000	£0.094	3,350,000
Granted during the year	£0.1810	4,000,000	-	-
Lapsed during the year	£0.0965	(1,700,000)	£0.085	(300,000)
Exercised during the year	-	-	-	(1,150,000)
At end of year	£0.1748	4,200,000	£0.092	1,900,000
Exercisable at the year end		1,533,333		1,900,000
Weighted average remaining exercise period, years		3.99		1.27

### Option classification

Issue Date	No of Options	Exercise Price	Expiry Date
29 October 2020	200,000	£0.05	28 October 2025
15 January 2022	4,000,000	£0.1810	15 January 2027
	4,200,000	£0.1748	

### 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.

Movements in the number of RSUs, under the RSU Plan (2020), outstanding and their related weighted average exercise prices are as follows

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	Year ended 31 December 2022		Year ended 31 December 2021	
	Ave Exercise Price	Options	Ave Exercise Price	Options
Beginning of Period	-	-	-	-
Granted	n/a	1,909,531	-	-
Lapsed	-	-	-	-
Exercised	-	-	-	-
At end of period	n/a	1,909,531	-	-
Weighted Ave remaining yrs		1.50		-

**RSU Classification**

Issue Date	No of RSUs	Vesting date
15 Jan-22	1,909,531	16 January 2024

The awards of 3,406,780 RSUs for the 2022 Performance Period will be issued in March 2023 following publication of these accounts.

**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.

The third awards of PSUs will be made in January 2026 relating to the third performance period from 1 January 2023 to 31 December 2025.

**25 Share based payment transactions**

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
<b>Expenses recognised in the year</b>				
Options issued under the Share Option Plan (2017)	347,400	7,779	347,400	7,779
RSUs issued under the RSU Scheme (2020)	197,825	-	197,825	-
	<u>545,225</u>	<u>7,779</u>	<u>545,225</u>	<u>7,779</u>

Awards made under the various share incentive schemes will be expensed over the relevant vesting periods for each scheme.

**26 Share Capital**

	Group and Company	
	2022	2021
	€	€
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
293,395,464 ordinary shares of 1p each	3,316,249	3,316,249
	<u>3,316,249</u>	<u>3,316,249</u>

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.

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**Reconciliation of movements during the year:**

	Ordinary Number €	Ordinary Value €
<b>Ordinary shares of 1p each</b>		
At 1 January 2022	293,395,464	3,316,249
Issue of fully paid shares (cash subscription)	-	-
	<u>293,395,464</u>	<u>3,316,249</u>
At 31 December 2022	<u>293,395,464</u>	<u>3,316,249</u>

**27 Share Premium account**

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
At beginning of year	20,289,487	7,362,699	20,289,487	7,362,699
Issue of new shares	-	13,114,010	-	13,114,010
Exercise of share options	-	103,806	-	103,806
Share issue expenses	-	(291,028)	-	(291,028)
	<u>20,289,487</u>	<u>20,289,487</u>	<u>20,289,487</u>	<u>20,289,487</u>

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.

**28 Other reserves**

	Merger reserve	Share based payment reserve	Translation reserve	Total
Group	€	€	€	€
At 1 January 2021	688,732	126,070	19	814,821
Additions	-	7,779	181	7,960
	<u>688,732</u>	<u>133,849</u>	<u>200</u>	<u>822,781</u>
At 31 December 2021	688,732	133,849	200	822,781
Additions	-	545,225	(138)	545,087
	<u>688,732</u>	<u>679,074</u>	<u>62</u>	<u>1,367,868</u>
At 31 December 2022	<u>688,732</u>	<u>679,074</u>	<u>62</u>	<u>1,367,868</u>

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.

	Share based payment reserve	Translation reserve	Total
Company	€	€	€
At 1 January 2021	126,070	19	126,089
Additions	7,779	181	7,960
	<u>133,849</u>	<u>200</u>	<u>134,049</u>
At 31 December 2021	133,849	200	134,049
Additions	545,225	(138)	545,087
	<u>679,074</u>	<u>62</u>	<u>679,136</u>
At 31 December 2022	<u>679,074</u>	<u>62</u>	<u>679,136</u>

## 29 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. 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. On 13 March 2023, the Company announced an agreement to sell Erris Zinc Ltd, which owns the Abbeytown Project to Ocean Partners Ltd. As part of this transaction, this Royalty will be novated from DLH to Erris Zinc Ltd ahead of completion of the sale.

The Osisko royalty does not apply to the Zinnwald Lithium project.

## 30 Retained earnings

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
At the beginning of the year	(1,822,503)	(95,199)	(251,044)	989,461
Loss for the year	(2,352,215)	(1,727,304)	(1,666,477)	(1,240,505)
At the end of the year	<u>(4,174,718)</u>	<u>(1,822,503)</u>	<u>(1,917,521)</u>	<u>(251,044)</u>

## 31 Events after the reporting date

On 30 January 2023, the Company announced the first drill hole results from the planned 10 hole exploration drill hole campaign at Falkenhain. This first drill hole was completed to a depth of 600m and the assay results showed significant intercepts of thick high-grade lithium mineralisation including 80m at an average 2,879 ppm Li and 51m at an average 3,421 ppm Li.

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On 6 February 2023, the Company appointed Tamesis Partners LLP as joint corporate broker and they published the first independent research note on the Company. Tamesis is a specialist ECM and advisory house with a focus on the mining sector. Tamesis will support the Company with research coverage and access to an incremental audience of institutional and strategic investors.

On 13 March 2023, the Company announced the terms of an acquisition agreement with Ocean Partners Ltd for them to acquire Erris Zinc Ltd, the owner of the Abbeytown Lead-Zinc license in Ireland. Ocean Partners shall acquire Erris Zinc for €1 and commit to spend €130,000 over the next three years to the end of 2025 on exploration work at Abbeytown. Zinnwald shall receive a 1% Net Smelter Royalty and a €200,000 cash payment due six months after commencement of commercial production from Abbeytown. Zinnwald shall have the right to buy back Erris Zinc for €1 in March 2025, if the committed exploration spend has not been made.

## 32 Related party transactions

### Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2022			2021		
	Remuneration	Pension	Share option charge	Remuneration	Pension	Share option charge
	€	€	€	€	€	€
Jeremy Martin	76,150	-	21,712	58,289	-	3,889
Anton du Plessis	295,229	29,959	135,222	375,454	26,128	-
Cherif Rifaat	175,732	17,832	62,603	116,578	11,877	-
Graham Brown	46,862	-	13,027	34,974	-	3,890
Peter Secker	46,862	-	13,027	-	-	-
	<u>640,835</u>	<u>47,791</u>	<u>245,593</u>	<u>585,295</u>	<u>38,005</u>	<u>7,779</u>

### Transactions with related parties

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

Group	Consultancy and expenses	
	2022	2021
	€	€
Erris Gold Resources	-	14,289

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

In 2021, 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.

There were no related party transactions in 2022.



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**33 Cash (used in)/generated from group operations**

	<b>2022</b>	<b>2021</b>
	€	€
Loss for the year after tax	(2,352,215)	(1,727,304)
<b>Adjustments for:</b>		
Investment income	(191)	(455)
Lease interest	5,254	-
Gain on disposal of equipment	(4,288)	-
Impairment of intangible assets in Ireland and Sweden	-	1,583,566
Depreciation of property, plant and equipment	49,990	7,077
Depreciation of Right of Use Assets	93,405	-
Amortisation of intangible assets	995	829
Gain on remeasurement of initial interest in Joint Venture	-	(1,038,252)
Share of loss of Joint Venture	-	52,911
Equity-settled share-based payment expense	545,225	7,779
<b>Movements in working capital:</b>		
(Increase) / decrease in trade and other receivables	(187,951)	79,969
(Decrease) / increase in trade and other payables	(55,000)	538,706
<b>Cash used in operations</b>	<u>(1,904,776)</u>	<u>(495,174)</u>

**34 Cash (used in)/generated from operations – company**

	<b>2022</b>	<b>2021</b>
	€	€
Loss for the year after tax	(1,666,477)	(1,240,505)
<b>Adjustments for:</b>		
Investment income	(191)	(455)
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	1,291	(1,039)
Share of loss of Joint Venture	-	52,911
Equity-settled share-based payment expense	545,225	7,779
<b>Movements in working capital:</b>		
Decrease in trade and other receivables	7,787	27,400
(Decrease)/increase in trade and other payables	(159,675)	281,919
<b>Cash used in operations</b>	<u>(1,272,040)</u>	<u>(609,438)</u>