

ZINNWALD LITHIUM PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

ZINNWALD LITHIUM PLC
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2023

Directors	Jeremy Martin Anton du Plessis Cherif Rifaat Graham Brown Peter Secker Dr Stefan Scherer
Secretary	Cherif Rifaat
Company Number	10829496
Registered Office	29-31 Castle Street High Wycombe Buckinghamshire, HP13 6RU
Business Address	The Clubhouse 8 St James's Square London, SW1Y 4JU
Independent Auditor	PKF Littlejohn LLP 15 Westferry Circus Canary Wharf London, E14 4HD
Nominated Adviser	Allenby Capital Ltd 5th Floor 5 St Helen's Place London, EC3A 6AB
UK Co-Broker	Oberon Capital Limited Nightingale House 65 Curzon Street London, W1J 8PE
UK Co-Broker	Tamesis Partners LLP 125 Old Broad Street London EC2N 1AR
Solicitors	DWF LLP Bridgewater Place Water Lane Leeds, LS11 5DY
Registrars	Share Registrars Ltd The Courtyard 17 West Street Farnham Surrey, GU9 7DR
Public Relations	St Brides Partners Ltd Warnford Court 29 Throgmorton Street London, EC2N 2AT United Kingdom

ZINNWALD LITHIUM PLC
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ZINNWALD LITHIUM PLC
CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

Demand for electric vehicles ('EVs') grew strongly in 2023 despite some coverage in the press to the contrary. A closer look at the actual numbers indicated that global plug-in vehicle sales reached 14.2 million vehicles, a year-on-year increase of 35%. Plug in vehicles represented ~16% of global light vehicle sales in 2023 against a backdrop of recovering demand for light vehicles generally. Beyond EV growth as renewable energy technologies become more widespread, lithium-ion batteries have become indispensable for storing this clean energy. Consequently, ensuring a local and sustainable supply of lithium within Europe has become a matter of strategic importance for energy security and economic development.

Supporting new lithium mining operations within Europe presents a unique opportunity for local communities to participate in the continent's energy transition. By tapping into domestic lithium resources, Europe can reduce its reliance on imports from countries with uncertain political landscapes and questionable environmental standards to not only enhance the bloc's energy security but also foster economic growth and job creation within local communities.

Furthermore, promoting local lithium mining operations aligns with Europe's commitment to environmental sustainability and social responsibility. Unlike some lithium extraction processes in other parts of the world, European mining operations are required to adhere to stringent social and environmental standards and employ eco-friendly practices. With this in mind, by investing in new mining technologies and adhering to strict environmental regulations, we aim to minimise our ecological footprint and mitigate potential negative impacts on local ecosystems and communities to become one of the most sustainable integrated LiOH producers in the world.

Against this backdrop, we were delighted to announce, post period end in February, a 445% increase in the mineral resource estimate ('MRE') at our core license area, which is a brownfield site with some existing infrastructure situated in the old mining region of Saxony, Germany (the 'Project'). This expansion, which takes the total lithium content of the Project to 2.7Mt LCE, solidifies its position as the second largest hard rock lithium project in the EU both in terms of resource size and contained lithium content and underscores its strategic significance within the region.

The incorporation of mineralised granite into the resource and subsequent mine planning will enable us to implement more streamlined bulk underground mining methods, which will boost productivity and profitability beyond the projections outlined in the Preliminary Economic Assessment ('PEA') released in 2022.

Notably, while the MRE covers the 2.6 km² core mining license, our exploration rights cover approximately 10 km² in the area and we hope to identify additional lithium resources which will extend the lifetime of the Project.

In terms of the lithium market, 2023 was an interesting year. By the end of 2022, lithium prices had reached nearly \$80,000 per tonne as EV manufacturers and original equipment manufacturers ('OEMs') scrambled to secure lithium sources. This reversed in 2023, and now LiOH prices are hovering at around \$13,250 per tonne. In our view, and that of a number of other market commentators, current prices are as unsustainable as the highs of 2022 and as such our expectation is that they will revert to higher levels once inventory across the industry come back in line with historic norms. In addition, our November 2022 PEA suggested operating costs per tonne LiOH of US\$6,200, which underscores the viability of the Project even in a weak market.

Longer term, analysts suggest that the price of lithium will return to levels around \$25,000 to \$35,000 per tonne; this is supported by robust demand forecasts. In Europe in particular, demand is forecast to rise by over 300% from 2023 to 2030. Notably, very little of this demand can be met by domestic projects, even if the majority of them come on stream which is far from certain. To address this imbalance, the EU should shortly pass into law the Critical Raw Materials Act ('CRMA'), which provides for the possibility to expedite permitting processes and deliver mechanisms to support financing for projects designated as "Strategic". As our project meets all the criteria for this status, we are hopeful that it will be classified as such.

The urgent need for strategic planning and investment in the European lithium supply chain presents a promising opportunity for Zinnwald Lithium as we are hopeful of commencing operations as the supply deficit becomes pronounced.

Our focus is therefore on delivering a bankable feasibility study, anticipated in Q4 2024, and thereafter securing funding to build an integrated LiOH project near the heart of Europe's chemical and automotive industries.

In summary, the importance of lithium in Europe cannot be overstated, particularly in the context of the continent's transition towards clean energy and sustainable development. We envisage our project playing a key role in helping Europe reach its climate goals and look forward to updating the market as we achieve key milestones during 2024.

Finally, I would like to thank our shareholders and stakeholders for their ongoing support.



Jeremy Martin
Non-Executive Chairman
21 March 2024

The Zinnwald Lithium project is located in east Germany, some 35 km from Dresden and adjacent to the border with the Czech Republic. The Project concept is for a fully integrated underground mine and associated, on site, mineral and chemical processing to produce a battery grade lithium hydroxide. The Company's business model is predicated around utilising its inherent advantages to enable it to become a sustainable project serving the European lithium market. Europe does not currently have a domestic source of lithium supply and there are relatively few projects within the EU. The EU will shortly be passing the CRMA into law and the Company intends to apply for designation as a "Strategic Project" under this legislation as soon as applications start. The Company believes that it has a strong case to meet the key criteria set out in the CRMA to qualify as a Strategic Project, namely:

- **Meaningful contribution to EU Supply.** Zinnwald's 2022 PEA already identifies a 12,000 tpa production (equivalent to up to 800,000 EVs per annum) and a greater than 35-year mine life. The updated MRE shows the Project shows a significantly increased resource that is the second largest in the EU and should support a materially higher annual production and an even longer mine life.
- **Technically feasible within reasonable timeframe.** The Company has demonstrated the feasibility of its flowsheet as part of the PEA and has been able to produce multiple kgs of battery grade Lithium hydroxide. Its flowsheet is based on the integration of individual parts that are well established in other industries. As part of its forthcoming BFS, the Company is working with one of Europe's largest engineering and production companies, Metso, to potentially integrate its technologies and processes into its own flowsheet.
- **Implemented sustainably.** The Zinnwald Project is a brownfield mining one in an area that has a tradition of mining stretching back 800 years. There is extensive infrastructure in the immediate area that could both accelerate the time of construction, as well as offer an opportunity to site some of the mineral processing works underground. The Project's flowsheet is also designed to minimise waste products, as well as producing co-products (Fertiliser, PCC) that are important to other local industries. The Project will also be permitted under German / EU regulations, which are probably the most stringent globally from an environmental point of view.
- **Cross border benefits.** The Company is already engaged with consultants, designers and equipment suppliers in other parts of the EU. The Project will likely source a number of its reagents from suppliers in other EU countries, always taking into account optimal sourcing strategies. The end product of Lithium Hydroxide could be used in various of the Gigafactories proposed for nearby countries in the EU (eg: Poland, Czech) and thereafter back to German and European OEMs, where the finished batteries would be delivered.

Geology and License Areas

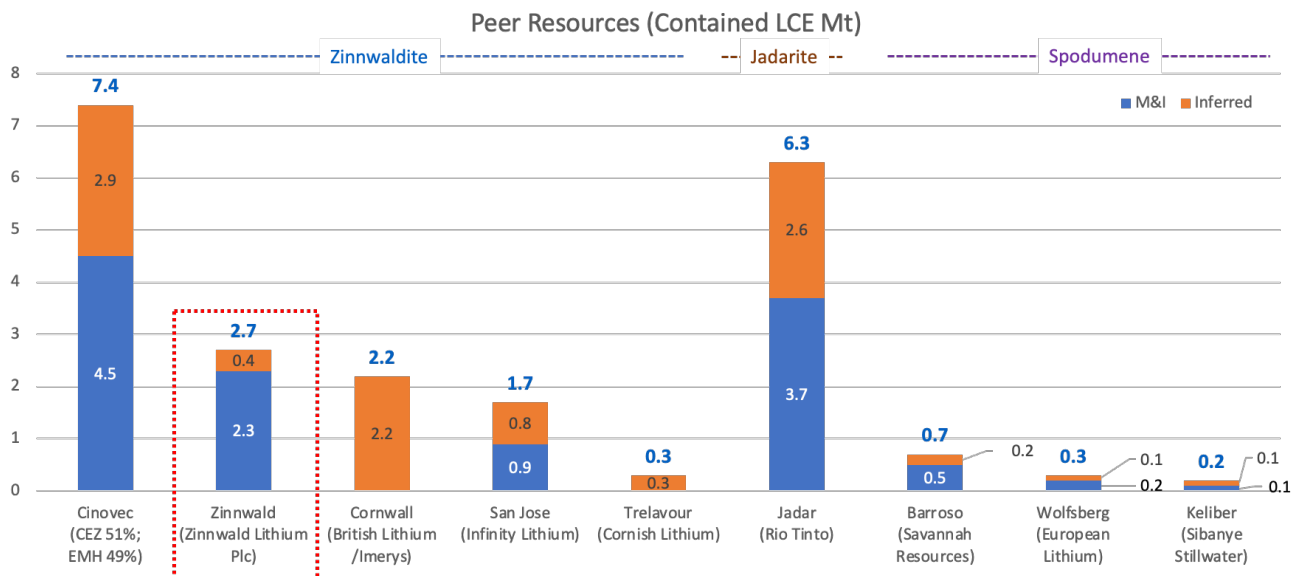
The Project is in a granite hosted Sn/W/Li belt that has been mined historically for tin, tungsten and lithium at different times over the past 400 years. Lithium is contained in lithium-bearing mica, which is called "zinnwaldite" taking its name from the nearby village. Several lithium focused projects in Europe are focused on the exploitation of zinnwaldite ore. The Project comprises five license areas:

The Zinnwald Mining License

The Zinnwald Mining License covers the core project area where a resource has been defined. The license covers 256.5 ha and is valid to 31 December 2047. In February 2024, we announced an updated Mineral Resource Estimate at this license area that showed a 445% increase over the previous MRE issued in May 2018, as follows:

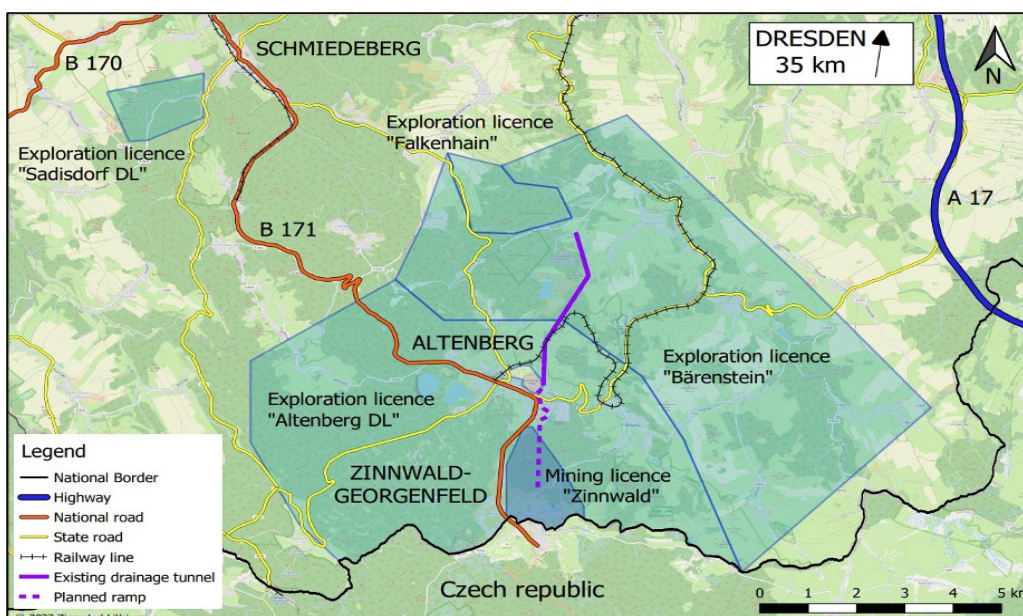
- Measured resource containing 11.3 Mt at a grade of 3,420 ppm Li and an Indicated resource containing 182.2 Mt at a grade of 2,140 ppm This represents approximately 2.3 million tonnes of lithium carbonate equivalent ('LCE') or 429,000 tonnes of contained Lithium.
- Estimated Inferred Mineral Resources of 33.3 Mt at a grade of 2,140 ppm containing 71,000 t Li metal (approximately 379,000 tonnes LCE)

This updated MRE establishes the Project as the second largest resource in the EU and the third largest in Europe as a whole. The chart below puts the Project in context of the other European hard rock lithium projects.



Falkenhain, Altenberg, Sadisdorf and Bärenstein exploration licence areas

- **Falkenhain** – the licence covers an area of 2,957,000 m² and, in 2022, the licence was extended for a further three years to 31 December 2025. The Company has commenced a 10 drill-hole exploration programme at this licence area.
- **Altenberg** – the licence covers an area of 42,252,700 m² and in October 2023 the term of the licence was extended to February 2027. The Company is currently evaluating historical data, which will be used to define new exploration targets in the area.
- **Sadisdorf** – the licence covers an area of 2,250,300 m² 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 Mt with an average grade of 0.45% Li₂O (average 2,053 ppm lithium head grade). The Company acquired the core and geological data prepared by the previous owners during 2023 and is reviewing and evaluating this data to determine further exploration steps.
- **Bärenstein** – this licence covers an area of 4,934 hectares and was awarded in July 2023. As shown in the map below, the Bärenstein licence closes the gap between the Falkenhain and Altenberg licences. This greenfield licence holds significant mineral potential and was historically mined for tin and silver between the 15th and 19th centuries. The Bärenstein licence area includes land that is being evaluated for the future mining and processing operations of the Project.



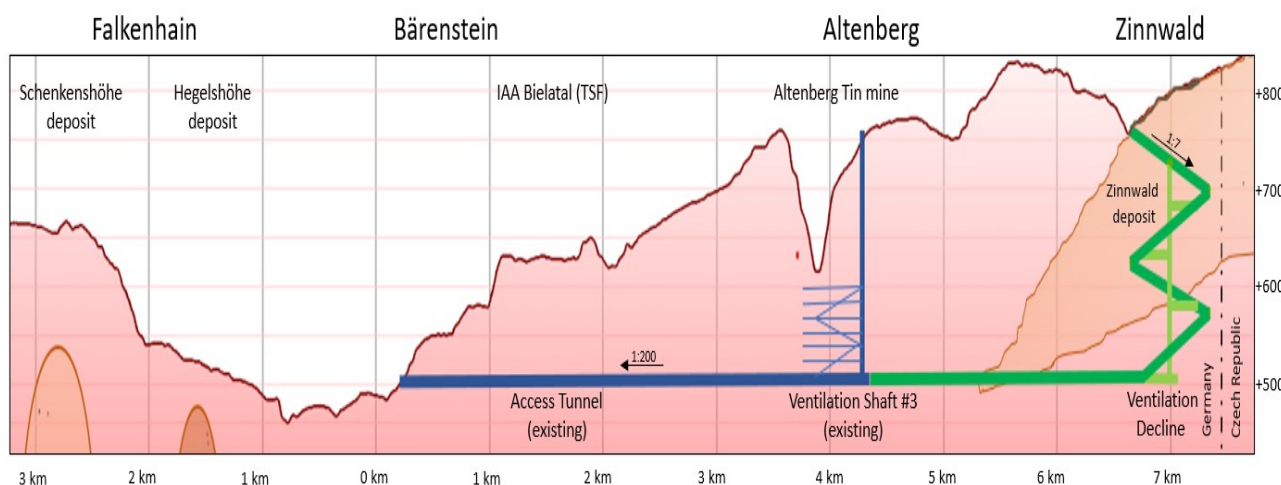
Project Plans and Timeline

The Group’s strategy is to focus on advancing a large scale fully integrated operation that produces battery-grade lithium products; to optimise the Project from a cost perspective; and 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 are planned to 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 strategy, the Group has taken a number of steps in the further definition, design and study work required, which culminated in the publication on 7th September 2022 of the “Preliminary Economic Assessment (“PEA”) for the revised Zinnwald Lithium Project. The Company issued its updated MRE in February 2024, as noted above. The Company is now working on its Bankable Feasibility Study to further advance the Project towards construction and operation and expects to issue this in late 2024.

PEA Mine Plan

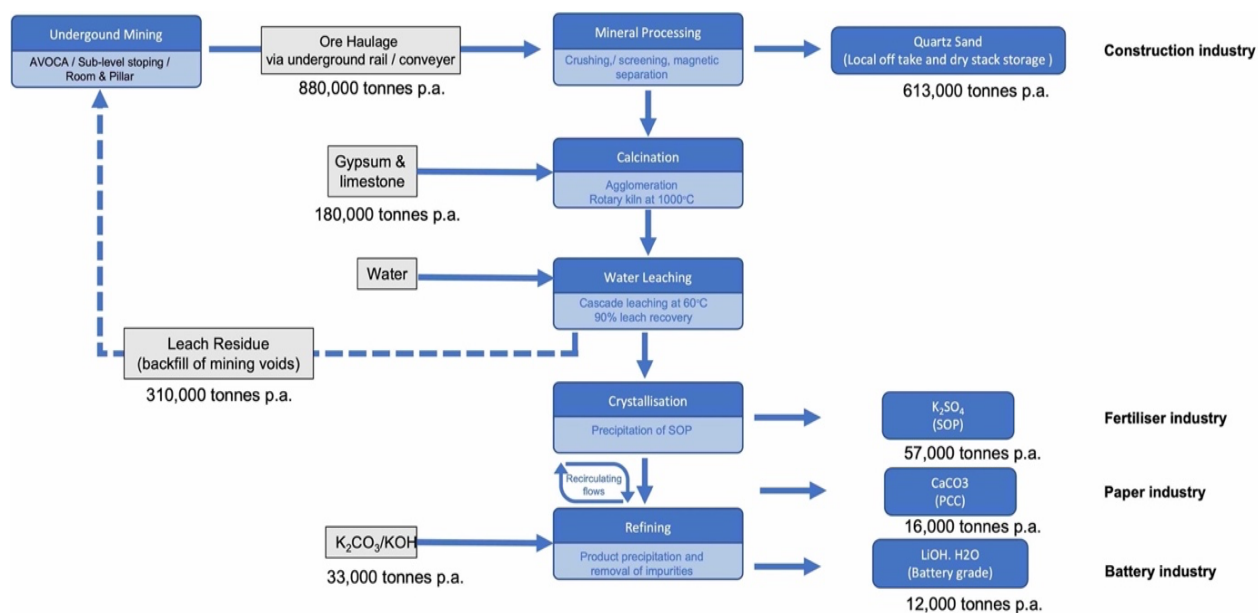
The Project includes an underground mine with a nominal output of approximately 880,000 t/a ore at estimated 3,004 ppm Li and 75,000 t/a barren rock. Ore haulage is via a 7km partly existing network of underground drives and adits from the “Zinnerz Altenberg” tin mine which closed in 1991. The mining operation for the Project is planned as an underground mine development using an access tunnel to access the deposit from its base. This tunnel, a portion of which is pre-existing infrastructure, will also be used for ore transportation from the mine to the processing area. Ventilation and emergency access will also be provided by the construction of a ventilation decline and existing shafts. The estimated mine life covers >35 years of production. The optimisation of bulk-mining methods has been a key consideration to allow increased total mined tonnage. The cross-section shown below indicates the drainage access tunnel, the access tunnel extension and the ventilation decline as well as the historic tailings 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·H₂O (equivalent to 10,530 t/a LCE) and 56,887 t/a of K₂SO₄ and about 16,000 t/a PCC (precipitated calcium carbonate) by-products. The flowsheet 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.

ZINNWALD LITHIUM PLC
 THE ZINNWALD LITHIUM PROJECT
 FOR THE YEAR ENDED 31 DECEMBER 2023



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 (summarised 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

The Directors present the strategic report for the year ended 31 December 2023.

1. Highlights

12 Months to 31 December 2023

- Fundraise of £18.75m completed in March 2023, including AMG Critical Minerals N.V becoming a 25% shareholder.
- Completed 84 hole, 27,000m in-fill drilling programme.
- Commenced detailed mine design based on large dimension lithological units.
- Completed mineral processing pilot tests in December 2023 confirming good lithium ('Li') recoveries and mainstream front end flowsheet design.
- Commenced basic engineering for the mineral processing flow sheet in December 2023.
- Advanced regional exploration strategy with the granting of the Bärenstein exploration licence, the acquisition of the drill core and geological data from the previous holders of the Sadisdorf exploration licence, the start of further exploration drilling at Falkenhain; and the extension of the Altenberg licence to February 2027.
- Further strengthened the Owners' team in Germany with Marko Uhlig appointed as Managing Director of Zinnwald Lithium GmbH, as well as several key appointments across a number of functional areas including mining engineering, mineral processing and permitting.
- Appointed Tamesis Partners LLP as joint corporate broker which published its first independent research note on the Company
- Completed sale of Erris Zinc Ltd to Ocean Partners.

Post period end to 21 March 2024

- Publication of updated Mineral Resource Estimate confirming a 445% increase in tonnes and a 243% increase in contained lithium.
- MRE and mineral processing testwork confirmed the feasibility of including Albite Granites in production plans.
- Confirmed Zinnwaldite concentrate suitability for Metso's alkaline leach process; no additives or high temperatures required to achieve Li-recovery to solution clearly above 95%.
- Ongoing work to optimise the Project with Bankable Feasibility Study ('BFS') now expected in late 2024 dependent on availability of pilot testing facilities.

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 undertook 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 was the Zinnwald Lithium Project. Deutsche Lithium GmbH has subsequently been renamed Zinnwald Lithium GmbH ('ZLG'). In June 2021, the Company completed the acquisition of the remaining 50% of ZLG 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 ZLG.

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 reverse takeover. 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 financing decision. Key work areas include:

- Expansion of the potential scale of the Project through resource expansion (both at the core licence area and satellite exploration licences), optimised mine planning, including the application of bulk mining techniques and infrastructure and site planning;

- Further refine the Processing Flowsheet that supports the primary production of battery grade lithium products including improvements in recoveries, reduced waste generation and the production of valuable by-products;
- Complete a Bankable Feasibility Study on the Project following on from the 2022 PEA;
- 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;
- Advance the plant engineering towards AAC Class 3;
- Minimising the carbon footprint through project wide optimisation (transport, material flow, flow sheet, site location);
- Finalisation of the selection of the optimal site locations;
- Negotiation with the holders (principally the German state) of existing mining infrastructure in the vicinity of the Project that has the potential to enhance the project economics;
- Advancing the permitting process for the construction and operation of the mine; and
- Ensuring the social license to operate by extensive public participation.

The Company recognises the importance of the general public and 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 helps to ensure 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 Company's public listing has enabled the Group to target a wide pool of investors, as demonstrated by the issuance of new equity, for cash and assets, several times over the last three years – the October 2020 RTO at 5p, the June 2021 acquisition from SolarWorld at 12.5p, and the December 2021 fundraising at 15.5p. In March 2023, the Company completed a fundraising at 10.41p, being a material premium to the share price at the time, to raise £18.75m to advance the Project towards BFS. As part of this fundraising, the Company secured its first industrial cornerstone investor in AMG Advanced Metallurgical Group, which subscribed 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.

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. In March 2023, the Group successfully completed a £18.75m fundraising, which included its first industrial cornerstone investor in AMG Advanced Metallurgical Group.

Trend

Improved –The Group is now well funded to advance the Project towards BFS. The Group continues to engage with potential additional cornerstone investors, as well as other sources of future funding.

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, which 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 Project. 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. Whilst 2023 saw a severe retrace of the widely quoted spot price for lithium products into China from the highs of \$80,000 per tonne in 2022 to around \$15,000 per tonne in early 2024. Most industry commentators continue to forecast an supply/demand imbalance that is supportive of higher lithium prices over the longer term. The Group will commission a formal independent price forecast report for the purposes of its forthcoming BFS.

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 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 the 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 approved the Critical Raw Materials Act ('CRMA'), partly in response to the IRA. The CRMA details the measures that the EU will take to protect and support domestic European industries, including the strengthening of its own CRM supply lines. The CRMA specifically refers to a goal of 10% of all mined and 50% of all refined CRM consumption to come from European sources by 2030.

Mitigation

The 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. The Group believes that the Project meets all the key determining factors to be declared a "strategic" project under the CRMA and will continue to emphasise this with the appropriate authorities.

Trend

Improved – on a macro level, the risk of resource nationalism has continued to increase in 2023 (Chile's steps to promote a national developer, Mexico's nationalisation of its Lithium resources). There has also been increased debate around security of supply in all CRMs, especially with regard to China's market dominance of refined production. However, this should ultimately be to the benefit of the 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 the Project 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 hydrogen fuel cells, vanadium redox flow batteries, aluminium-graphite, sodium-ion and iron-based batteries. Any one of these new technologies, should they be successfully commercialised, may have the potential to supplant or reduce demand for lithium. 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 nickel-based battery chemistries being developed and used by European car makers. Parts of the industry have started to move towards alternative lithium-based chemistries, such iron-based batteries ("LFP"), which use Lithium Carbonate as the source. The Project's flowsheet already goes through a lithium carbonate phase as part of the production of LiOH, so is inherently agnostic to the choice of lithium chemistry. 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 cell has fallen by more than 97% since 1991 and has now fallen below \$100. At these levels, the economics of EVs compared with conventional internal combustion engine cars becomes significantly more competitive.

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 GBP.

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, primarily by keeping the majority of its cash in Euros.

Trend

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

2.4.7. Market Perception and Share Price Risk

The share price of quoted companies can be highly volatile and the market for traded shares can be illiquid, especially for smaller companies typically valued at less than £100m. These types of companies are generally less well covered by the press and analysts and may not receive coverage and exposure to institutional investors.

The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares will be influenced by many factors, some specific to the Group and its operations and others which may affect quoted companies generally. The market value of the Ordinary Shares can fluctuate and may not always reflect the underlying net asset value or the prospects of the Group. The market price of the Ordinary Shares could be negatively affected by sales of substantial blocks of shareholdings in the public markets, or the perception that these sales could occur.

Mitigation

The Company's share price declined materially in 2022 due primarily to the impact of the distribution of the Bacanora owned shares as well as the expiry of the locked-in shares given to SolarWorld to acquire the other 50% of Zinnwald Lithium GmbH, which in total equated to more than 40% of the Company's register. Despite this headwind, the Company completed a significant fund raise in March 2023 at a 25% premium to the share price at the time. The Company also appointed Tamesis Partners as its joint-broker in February 2023, which now provides research on the Company and the Project. The Company published its updated Mineral Resource Estimate in February 2024, which is a significant milestone on the way to publication of its BFS towards the end of 2024.

Trend

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

Operational Risks

2.4.8. 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 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. In September 2023, the company completed an 84 hole, 27,000m drill campaign at its core Zinnwald Licence that was specifically designed to improve the Company's geological understanding of the deposit and to underpin the future mine plan for the Project. In February 2024, the Company published the results of this work in its updated MRE that showed a 445 % increase in tonnes and a 243% increase in contained lithium ("Li") to 429kt in the Measured and Indicated category versus the previous 2018 MRE. This establishes the Project as the second largest hard rock lithium project in the EU. The updated MRE includes 11.3 Mt grading 3,420ppm Li (0.736% Li₂O) in the Measured category, 182.2 Mt grading 2,220ppm Li (0.478% Li₂O) in the Indicated category, and 33.3 Mt grading 2,140 ppm Li (0.461% Li₂O) in the Inferred category. The Group is currently advancing its technical plans as part of the process to publish its BFS towards the end of 2024.

Trend

Improved - The inherent risk around all mining projects remains the same, but with the publication of the updated MRE for the Project, the Company has demonstrated the size and long term mine life of the Project. The Group continues to take the required steps to de-risk the Project moving forward.

2.4.9. Further operating 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.

2.4.10. 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

In 2023, the Group had a peak of 23 full time employees in Germany at the height of its drill programme. Whilst this total number decreased to 14 at the year end, the Company has continued to build out its long-term operational team in Germany, including the appointment of a new MD, a dedicated permitting manager and other senior hires.

Trend

Improved – the Group has increased the size and experience of its own team in Germany and will continue to make other key hires in 2024 as it advances the Project.

ESG / Sustainability Risks

2.4.11. 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 the Group's operations with local communities such as by the creation of jobs, local procurement or community investment activities, may cause delays or disruptions to the Group's operations and may undermine our social licence to operate.

Mitigation

In 2023, the Group continued to hold regular meetings with the local communities in Altenberg and Zinnwald and successfully operated up to six drill rigs at any one time in the area. Furthermore, the 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 for the State and Federal authorities. The Group also has a policy of working with internationally accredited partners for the development of the Project. These currently include Snowden, SRK, Metso, K-Utec and Epiroc.

Trend

Unchanged - ongoing local good relations with, and support from, local communities is a key area of focus for the group.

2.4.12. 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.

2.4.13. Government regulatory risk - supply chains and processes

The mining industry in Germany is subject to extensive controls and regulations imposed by various levels of government. All current legislation is a matter of public record, but the Group is unable to predict what additional legislation or amendments may be enacted. Amendments to current laws, regulations and permits governing operations and activities of mining companies, including tax and environmental laws and regulations which are evolving in these countries, or more stringent implementation thereof, could have a material adverse impact on the Group and its business.

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 two per cent. of their global turnover and exclusion from public contracts for up to three years. From January 2024, smaller German companies will also be included in these 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 due to its size, 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 takes all ESG and Sustainability matters extremely seriously and seeks to embed best practice at all levels of its operations. The Project will be permitted under German regulations, which are some of the most stringent globally.

Trend

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

2.4.14. 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, categorised and investigated and, where required, corrective and preventive actions are implemented. During 2023, the Group had a single lost-time due to injury ('LTI') event due to an injury to a contractor, which whilst not the Group's fault or liability, remains classified as a reportable LTI. This low level of LTIs is despite the material increase in direct operational work, being primarily a major drill campaign and associated sample processing. As at the date of this report, the Group has gone 97 days without an LTI.

Trend

Increased - the inherent risk increased in 2023 as the Group materially expanded its drilling and sample preparation operations. As the Group moves forward with the Project towards construction, the potential for health and safety incidents to occur may increase.

3. Operational Review

3.1. Germany

During 2023 and into 2024, the Group has made significant progress on the Project, including the publication of an updated MRE that showed a 445% increase in tonnes of ore and a 243% increase in contained lithium. As part of this progress, the Group completed the following matters during the year, and after the year end, to underpin the Project continued development.

FUND RAISE

On 29 March 2023, Zinnwald completed a £18.75m fundraise at a 26% premium to its share price at close on 22 March 2023. This raise was cornerstoned by AMG, existing significant shareholders, and new German institutional investors. These funds have enabled the Group to accelerate its various workstreams and will finance it beyond completion of the BFS. As part of the investment from AMG, Zinnwald has welcomed Dr Stefan Scherer to the Board.

RESOURCE DEVELOPMENT

In fill and Resource Delineation Drill Programme

The successful fundraise completed at the end of March 2023 enabled the Company to significantly accelerate its resource delineation drilling activities. On 15 September 2023, the Company finished its drill programme at its core Zinnwald Licence area, totalling 26,969m of diamond core drilling across 84 drill holes. This campaign more than doubled the total number of holes completed in the licence area, including the historic drill campaigns. The Company was able to deploy up to six drill rigs simultaneously, which allowed the completion of the programme within a tight timeframe. The Company's purpose-built core facility allowed the processing of more than 400 metres of core per week with the achievement of greater than 95% core recovery. The results of the infill drilling campaign increased the Company's level of confidence in the geological model of the orebody and were published in the updated MRE in February 2024 (see below).

Updated Mineral Resource Estimate

On 21 February 2024, the Company published its updated independent Mineral Resource Estimate ('MRE') that showed a substantial increase in its Mineral Resource at the Project with a 3.4x increase in contained lithium in the Measured and Indicated categories. This establishes the Project as the second largest hard rock lithium project by both resource size and contained lithium in the EU and clearly highlights its scale and strategic importance.

The MRE incorporated 26,911 metres of new diamond core drilling across 84 drill holes and a reinterpreted and updated geological model since the previous MRE which was released in September 2018. In addition to the high-grade greisen mineralisation, focus of the recent 2022/2023 drilling was the lithium mineralisation hosted by the broader zone of altered albite granite, which includes internal lenses of higher-grade greisen. The inclusion of the mineralised granite in the resource and ultimately the mine plan will allow more efficient bulk underground mining techniques with the potential to meaningfully increase the lithium production from what was contemplated in the PEA published in 2022. Highlights of the MRE included:

- A 445 % increase in tonnes and a 243% increase in contained lithium ('Li') in the Measured and Indicated category versus the previous 2018 MRE;
- Total contained Li of 429kt compared with the 2018 MRE of 125kt in the Measured and Indicated category.
- 11.3 Mt grading 3,420ppm Li (0.736% Li₂O) in the Measured category;
- 193.5 Mt grading 2,220ppm Li (0.478% Li₂O) in the Measured and Indicated category;
- 33.3 Mt grading 2,140 ppm Li (0.461% Li₂O) in the Inferred category;
- Increase in overall tonnage predominantly due to the incorporation of a broad zone of mineralised granite, as well as contribution of an extra 26,911 metres of new drilling over 84 holes;
- Measured classification only applied to the external greisen domains due to a higher metallurgical confidence; Snowden Optiro recommends further metallurgical variability testwork in the broad mineralisation zone domain to further increase confidence;
- Demonstrated dimensions of the mineralised zone (true thickness c. 80 metres) and continuity of ore supports highly efficient mining methods with minimal waste rock production; and
- Mineral Resources reported using a 1,100ppm Li cutoff grade and a stope optimisation to constrain an RPEEE Resource.

The MRE (detailed below) was prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators ("NI 43-101") by independent consulting firm Snowden Optiro Ltd ("Datamine International") of Bristol, United Kingdom.

Table 0.1 Mineral Resource Statement for Zinnwald Lithium Project, effective 20th February 2024.

Classification	Domain	Tonnes (Mt)	Mean Grade		Contained Metal	
			Li (ppm)	Li ₂ O (%)	Li (kt)	LCE (kt)
Measured	External Greisen (1)	11.3	3,420	0.736	39	206
	Mineralised Zone (2)	-	-	-	-	-
	<i>Internal Greisen</i>	-	-	-	-	-
	<i>Mineralised Granite</i>	-	-	-	-	-
	SubTotal (1) and (2)	11.3	3,420	0.736	39	206
Indicated	External Greisen (1)	2.1	3,510	0.756	7	40
	Mineralised Zone (2)	180.0	2,120	0.456	383	2,037
	<i>Internal Greisen</i>	14.6	3,320	0.715	49	259
	<i>Mineralised Granite</i>	165.4	2,020	0.435	334	1,778
	SubTotal (1) and (2)	182.2	2,140	0.461	390	2,077
Measured + Indicated SubTotal		193.5	2,220	0.478	429	2,283
Inferred	External Greisen (1)	0.8	3,510	0.756	3	15
	Mineralised Zone (2)	32.5	2,110	0.454	68	364
	<i>Internal Greisen</i>	0.6	2,880	0.620	2	9
	<i>Mineralised Granite</i>	31.9	2,090	0.450	67	355
	SubTotal (1) and (2)	33.3	2,140	0.461	71	379

Mine Planning Activities

As the drilling programme, geological modelling, geotechnical investigations and minerals processing testwork progressed, strategic mine planning was started by the Company and SRK. This work is ongoing with the laterally and vertically extensive Albite Granite domain that now forms part of the Project's MRE included in the mine plan.

It is envisaged that the revised mine design will incorporate the strategy of higher productivity mining methods, as well as operating the mine using a fully electrified trackless equipment fleet. This current work focuses on the understanding of key drivers of costs and efficiency across the entire production operation, taking all technical aspects of the Project into consideration. Detailed understanding of geotechnical aspects at Zinnwald as well as downstream process efficiencies and cost assumptions are crucial to adequately determine future metrics defining the Cut-off-Grade ('COG') and optimal production capacity scenarios.

Large scale sub-level stoping with subsequent backfill has been determined to be the optimal mining method. Sub-level stoping offers higher capacity, lower operating expenditure and easier backfill process than room and pillar-method assumed in the earlier studies. The large dimensions of both the High Grade External Greisen domain as well as the Albite Granite domain, now confirmed with the new MRE, will allow substantially higher lithium grade than the life-of-mine average during the early production years.

PROCESS DEVELOPMENT / TESTWORK / ENGINEERING

During 2023, working with several partners including Metso and UVR FIA in Freiberg, the Company has continued its various mineral processing, calcination and hydrometallurgical testwork programmes. The initial results from the pilot and bench scale testwork are encouraging as further described below and will assist in delivering additional engineering parameters that will feed into downstream engineering design. The processing testwork has utilised representative samples generated from core from the Company's 84-hole drilling campaign including both ore types, the High Grade Greisen ('HGG') and Albite Granite ('AG').

Mineral Processing

Pilot scale mineral processing testwork was completed in December 2023 at the GTK pilot facilities in Finland, by GTK and Metso experts. The primary goal of this work was to confirm previous testwork results on a representative sample that now also includes the lithium bearing Albite. The results of these tests confirmed the conclusions of the bench scale tests performed in the summer of 2023 that mineral processing of run-of-mine ore is achievable using a mainstream front-end flowsheet consisting of a comminution circuit and a rougher-scavenger wet magnetic separation circuit.

Metso was supplied with a representative two-ton bulk sample to model the initial 15 years of mine life incorporating a mix of both HGG and AG. The main findings were:

- A main stream mineral processing flow sheet can be applied;
- A simulated Run of Mine sample Li-recovery is c.80 % with a mass pull of c.18%;
- The same mineral processing flow sheet is suitable for both of the ore types; and
- Both of the ore types can be processed individually or at any mix without compromising the recoveries.

The mineral processing flowsheet was designed by Metso, with basic engineering initiated in December 2023. The equipment selection was completed in February 2024.

Pyro- and Hydrometallurgy

To ensure the suitability of Zinnwaldite for Metso's proprietary alkaline leaching, a sample of Zinnwaldite concentrate generated in the mineral processing pilot testwork was calcined and subsequently leached at bench scale at Metso's facilities in Pori, Finland. The encouraging main findings are:

- No additives needed in calcination;
- Significantly less waste material produced;
- Temperature clearly below 1000°C; and
- Li recovery to solution clearly above 95%.

The alkaline processing route has the potential to offer significant advantages in terms of overall recovery, efficiency and reduced impact on the environment.

The Company is now moving on to the calcination pilot testwork at IBU-tec's facility in Weimar, Germany, under Metso's supervision, to confirm the parameters of the calcination flowsheet.

A representative sample of Zinnwaldite concentrate has also been provided to K-Utec for tests to confirm that the large-scale tests previously performed by K-Utec based on HGG concentrate are applicable to the material derived from a combination of both pre types.

Hydrogeology

In February 2024, the Company completed its hydrogeological drill programme that comprised eight groundwater ('GW') monitoring wells and was started in September 2023. These included six deep wells extending to reach the mineralised Albite Granite, and two shallow drill wells intended to penetrate the Rhyolite rock of the hanging wall. All of these wells will be converted to long term ground water monitoring wells to collate data on an ongoing basis. This represents an essential piece of work for both technical and planning as well as environmental impact assessment ('EIA') permitting requirements.

The results of this programme will support the production of a hydrogeological underground and surface model. This model will include information received from Geomet in regard to data on the Czech side of the border to support the development of a combined cross-border hydrogeological model. This represents an essential piece of work for both technical and planning as well as environmental impact assessment ('EIA') permitting requirements. The Company is supported by a group of consultants in this effort, including SRK, Geologische Landesuntersuchung Freiberg GmbH ('GLU'), Fugro and ERM.

OTHER OPERATIONAL MATTERS

Infrastructure

In 2023, the Company continued its work on defining the optimal solutions for the required infrastructure based on the potential for higher production levels supported by the results of the drilling campaign and the metallurgical testwork carried out. The Company appointed Fichtner GmbH, a major German consulting group with experience concerning materials handling, road, and rail infrastructure as well as all civil works. The Group will, using trade-off studies, evaluate the most suitable, economical and environmentally friendly options for all surface facilities.

The Company also undertook the digitisation of historic mine plans of the Zinnerz mine in Altenberg, in collaboration with the owner of the historic Zinnerz Altenberg mine, the LMBV. The digital plans now cover more than three production and mine infrastructure levels of the historic mine and are vital in the process of developing detailed construction plans and mine designs that will also include utilisation of the existing historic mine infrastructure in Altenberg. This would result in significantly reduced disruption to local residents by hauling the ore underground on the 500m RL elevation towards the processing site, northeast of Altenberg.

The Company has also continued with its evaluations for tailings management, supported by Knight Piesold (UK), which specialise in tailings management and engineering. The Company is strongly committed to progress planning for a Dry Stack Facility ('DSF'), for which multiple design and site options are being evaluated.

Exploration Licences

Whilst the primary focus is on the development of its core Zinnwald Licence, the Company continues to advance targets on its other 100% owned prospective exploration licence areas including Falkenhain, Altenberg, Bärenstein and Sadisdorf that surround the Zinnwald licence (See Project overview above for more detail). The Altenberg exploration licence was renewed in November 2023 for a further three years to February 2027. The Company now has licences over almost 10,000 hectares in an area that has been one of the mainstays of German mining for almost 800 years. The Company believes that these licence areas have the potential for additional satellite resources to support the longer-term expansion of the Zinnwald Project as a whole and potentially provide an additional production opportunity to further expand one of Europe's largest lithium opportunities.

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 2023, adding skills in several key disciplines including geology, mining and logistics. The Company appointed Marko Uhlig as Joint Managing Director of Zinnwald Lithium GmbH. Marko is a seasoned professional manager with a wealth of commercial experience gained over a career of more than 30 years. He has worked in Germany as well as internationally for companies including ThyssenKrupp AG and SKW Metallurgie AG and is a graduate of Freiberg University. The local Project team now comprises 15 full time staff of which five are female. The Company also employs six full time consultants with expertise across all the areas of the Project's flowsheet and development plan. In total the Group has twenty two full-time professionals (including employees and full time consultants) working across disciplines in both the Freiberg and London office locations. In addition to the professionals working directly for the Company, more than 30 professionals work for the Project in partner organisations.

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 2023

Developments in EU

In December 2023, the EU Parliament formally adopted the proposed regulation for the Critical Raw Materials Act ('CRMA') and the European Council is expected to approve it by the end of March 2024 with the regulation coming into force in April 2024. The CRMA proposes benchmarks of 10% of the EU's annual consumption of lithium for extraction and 50% for processing; proposals to simplify permitting procedures; and a plan to identify selected strategic projects to benefit from EU financial support. The CRMA also sets time frames for strategic projects to secure permits - a maximum 15 months for processing and recycling projects and 27 months for mining. EU countries will be required to designate single points of contact to process permit applications, with strategic projects given priority status. They will also have to develop national programmes for exploring geological resources.

Once the CRMA passes into law, the EU Commission has said it will invite applications to be designated as a formal "strategic" project. The Company intends to apply for this designation as soon as applications start and believes that it has a strong case to meet these key criteria, as outlined in the Project Overview above.

In the last few months alone, there have been a number of potential long-term announcements from EU and German bodies in regard to both grant and long-term equity partners. In October 2023, the German Government published a new funding guideline to promote investment in the development and expansion of production capacity along the entire battery value chain. In November 2023, the EU announced the 4th cash call for €4 billion under the EU Innovation Fund that expects to issue grants of up to €40 billion over 2021-2030. In January 2024, EIT InnoEnergy launched a €500m European battery raw materials equity investment fund. In February 2024, the German government earmarked €1bn for equity investment in critical raw materials projects to be administered by the KfW development bank. The Company has already started engagement with various of these bodies and will continue to do so, as the Project moves towards its Financing Investment Decision (“FID”).

General Lithium Market in 2023 and BFS Pricing

2023 saw a severe retrace of the widely quoted spot price for lithium products into China from the highs of \$80,000 per tonne in 2022 to around \$15,000 per tonne in early 2024. The lithium market has grown very rapidly from being a relatively small niche market from a global perspective. Partly as a consequence of this, the pricing of lithium has historically been quite volatile if looked at over a purely short-term basis. The price tends to overshoot in the short term on both the high and low side, as shown in the swings from 2022 to 2023. However, pricing remains materially higher than the prices seen in the previous cyclical low of 2018-19.

While the marked prices swings have principally been observed in the spot market, which is a relatively small part of the overall lithium market, this more than 80% decline appears also to have occurred in the contract market. This is borne out by the reported results for 2023 for two of the largest companies in the industry, SQM and Albermarle. In 2023, SQM’s average quarterly price declined from \$59,000 in Q4 2022 to \$16,000 in Q4 2023. Albermarle reported similar declines but described current prices last week as ‘unsustainable’ and expects through-cycle prices must be between \$20k-30k/t LCE to incentivise necessary supply, with \$20k/t the minimum price to support over 100 projects. Albermarle forecasts lithium market demand to see 2.5 times growth over 2024-2030 from circa 1mt in 2023 to 3.3mt by 2030. It expects this to be driven by an increase in global average EV battery size of 50Kwh in 2023 to 68 Kwh by 2030 and EV production rising from 14.9m EVs in 2023 to 46.8m by 2030 (a 50% penetration rate).

It is important to note that the Company deliberately took a conservative long term price assumption of \$22,500/t in its PEA in 2022 to ensure the robustness of its financial forecasts. This can be shown in comparison to other projects that have issued Studies since Zinnwald’s PEA was published with their assumed pricing noted below:

Recent Published Feasibility Studies Long term Price Assumptions						
Company	Project	Study Type	Date	Product	price (\$/t)	Market study cited
Lake Resources	Kachi	DFS	Feb-24	Lithium Carbonate	35,000	WoodMac
Galan Lithium	Hombre Muerto	DFS	Oct-23	Lithium Carbonate	29,000	WoodMac
Standard Lithium	Lanxess South	DFS	Oct-23	Lithium Carbonate	30,000	Global Lithium
Arcadium (Alkem)	James Bay	PFS	Sep-23	Lithium Carbonate	28,000	WoodMac
Vulcan	Zero Carbon Lithium	DFS	Feb-23	Lithium Hydroxide	31,973	Fastmarkets/ internal
Lithium Americas	Thacker Pass	DFS	Nov-22	Lithium Carbonate	24,000	WoodMac
Piedmont Lithium	Tennessee Lithium Project	DFS	May-23	Lithium Hydroxide	26,000	Benchmark Mineral Intelligence / internal
Sayona Mining	North American Lithium	PEA	Jun-23	Lithium Carbonate	25,585	Internal
European Lithium	Wolfsberg	DFS	Mar-23	Lithium Hydroxide	48,600	Gambosh Consulting
Zinnwald Lithium	Zinnwald	PEA	Sep-22	Lithium Hydroxide	22,500	Internal

Source: Company Announcements

The financial analysis included in the 2022 PEA indicated that the Project could be relatively robust financially even at a reduced lithium price. There are large parts of the current supply chain, most notably Chinese lepidolite production, that is materially higher cost than the Project is estimated to be. The Company will commission a market study to justify pricing assumptions to be used in the BFS nearer to the time of publication.

3.3. Ireland

In order to focus its efforts on the Project, in March 2023, Zinnwald reached an agreement with Ocean Partners UK Ltd for it to acquire Erris Zinc Ltd, the Company’s subsidiary that owns the Abbeytown Zinc License in Ireland (‘Abbeytown’). On 24 June 2023, the Irish GeoSciences Department approved the transaction, and the sale was completed. Zinnwald shall receive a 1% Net Smelter Royalty and a €200,000 cash payment due six months after commencement of commercial production from Abbeytown. As agreed in the Sale and Purchase Agreement, the Company also has the right to buy Erris Zinc Ltd back for €1 if the additional exploration spend of €100,000 over 2024 to 2025 is not made by March 2025.

3.4. Shareholder Evolution in 2023

During 2023, the Company's share price has broadly tracked its peers in the wider lithium space, all of whom have been negatively impacted by the 80% decline in the lithium price. The one major evolution in 2023 is that the Company has undertaken a formal review of its underlying beneficial shareholder base that shows an ever-increasing ownership by German and EU investors. Based on the latest share register, the Company now shows UK holders at 46%, large German institutional and corporate investors at 31%, other German and EU investors at 13% and Rest of the World at 10%.

3.5. Outlook

The Company's strategy is centred on developing a project that is not only significant in scale but also economically attractive and founded on a robust technical and sustainable framework. Current and ongoing workstreams are pivotal to this strategy, with significant progress already achieved and several key milestones on the horizon. These include ongoing metallurgical testwork, continuous advancement of hydrogeological drilling campaigns, and detailed mining planning. Concurrently, the team is engaged in permitting and commercial activities.

The scale of the increase in the Company's MRE together with the encouraging initial testwork results related to the Metso alkaline leaching process are being evaluated in detail. Taken together, they have the potential to materially increase the possible scale of the Project as well as reduce its impact in terms of the volumes of waste material produced. Working through the implications of these to optimise the Project will have an impact on the expected timing of the BFS, which is now expected to be published in late 2024. An external factor beyond the Company's control that could affect this timing is the availability of pilot testing facilities. However, the Company is working closely with its technology partners to minimise the potential for this.

The Company remains well financed with a current cash position of €12.3m and the Board looks forward to updating the market on progress on all fronts as its various workstreams continue.

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 Zinnwald 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 €2.9m compared with a loss of €2.4m in 2022. In 2023, administrative expenses increased to €2.6m compared with €1.9m in 2022, which reflects the material increase in staffing levels as the Project has increased its workstreams. 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 both 2023 and 2022, arising from the issuance of new Options and RSUs in each period. These increases were partially offset by increased rental income of €0.2m from the sub-leasing of space at its offices and core shed in Freiberg.

During the year, the Group made an overall loss before taxation of €2.6m compared with a loss of €2.4m for the year ended 31 December 2022. This included interest income of €0.3m on the Group's cash balances.

The Total Net Assets of the Group increased to €39.8m as at 31 December 2023 from €20.8m at 31 December 2022 primarily due to the March 2023 fund raise of £18.75m, which was used to finance significant expenditure on areas such as drilling, staff/consultant costs, permitting and testwork. This increased the Group's Intangible asset balance to €27.7m at year end from 19.0m at the end of 2022 and cash balances increased to €14.3m from €3.2m at the end of 2022.

The closing cash balance for the Group at the period end was €14.3m. As at today's date, the Group's cash balance is €12.3m.

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
Investors		
<p>The Company requires further funding to develop the 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 2023, the Company has materially increased the size of its German and EU ownership to almost 45% of its shareholder base.</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"> • The AGM and Annual and Interim Reports. • Investor roadshows and presentations. • One-on-one investor meetings with the CEO and CFO. • Access to the Company's brokers and advisers • Discussions with providers of research on the Company • Regular news and project updates. • Social media accounts 	<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.</p> <p>In March 2023, the Company secured a £12m investment by a new industrial cornerstone investor, AMG, a European company active in lithium and metals processing, who now own 25% of the Company.</p>

ZINNWALD LITHIUM PLC
 STRATEGIC REPORT
 FOR THE YEAR ENDED 31 DECEMBER 2023

Key Stakeholders – Engagement Rationale and Objectives	How Zinnwald engaged with the stakeholders	What came of the engagement
Workforce		
<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 the Project as a whole.</p> <p>The Company and the 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"> • Job creation, fair worker pay and conditions. • Development opportunities and interesting work. • Clear communication with employees • Excellence in health and safety. <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>
Government Bodies – State and Federal		
<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
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 FOR THE YEAR ENDED 31 DECEMBER 2023

Key Stakeholders – Engagement Rationale and Objectives	How Zinnwald engaged with the stakeholders	What came of the engagement
<p>Local Community</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>During the drilling campaign the Company maintained 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 within 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 s 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 completed an 84 hole drilling campaign in 2024 over 27,000m. At one stage the Company had six drill rigs in operation, often in resident’s gardens or close to their houses.</p> <p>The Company held several town hall meetings in Zinnwald to allow the local residents an opportunity to engage with the team.</p> <p>The Company engages with the local community as part of the development of its sustainability initiatives.</p>
<p>Suppliers</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"> • One on one meetings between management and suppliers. • Vendor site visits to ensure suppliers able to meet requirements. • Contact with procurement departments and accounts payable. 	<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"> • SRK Consulting • Snowden • Metso • Fichtner • Theia-X • Tomra • K-Utec • Epiroc • GEOPS • Gicon/GLU • GEOS

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 2023:

- **Significant expenditure on In-fill Drilling programme** – The Board took the decision to make a material investment in both time and money (over €6.5m) in the 84 hole, 27,000m in-fill drilling programme. The main rationale was to increase drillhole and data density in all parts of the deposit to further optimise the geological model to support BFS level mine planning, metallurgical and geotechnical engineering workstreams. The goal was to raise the confidence level of the geological model and eventually generate solid Indicated and Measured Mineral Resources that can be converted to Mineral Reserves in the BFS. The outstanding results of the MRE, published in February 2024, showed a 445 % increase in tonnes and a 243% increase in contained lithium (“Li”) to 429kt in the Measured and Indicated category versus the previous 2018 MRE. This establishes the Project as the second largest hard rock lithium project in the EU and the third largest in Europe. The 11.3 Mt grading 3,420ppm Li (0.736% Li₂O) in the Measured category and 182.2 Mt grading 2,140ppm Li (0.461% Li₂O) in the Indicated category will be crucial in supporting any debt funding in the ultimate fund raising to construct the Project.
- **Investigation of Flow Sheet Alternatives** – A considerable amount of work has gone into testing and demonstrating the processing flow sheet designed by K-Utec over the last few years. As the process was originally tested with HGG material only, confirmatory test work with currently foreseen ROM (AG and HGG mixture) is being undertaken to ensure that it can be adapted to process a mixture of HGG and AG material. A decision was taken during the year to also explore an alternative processing route developed by Metso. Metso is one of the world’s leading mineral and metallurgical processing engineering businesses. The process that Metso has developed for processing lithium containing ores, if it can be applied to zinnwaldite ore, holds the possibility of significant advantages in terms of the potential for improved recoveries and materially lower waste volumes. The work on this alternative processing route is ongoing but early, bench-scale, tests have been very encouraging. Having the potential to use either route gives the Company important optionality and mitigates an important risk. This investigation and testwork has incurred material costs and extended the BFS timeline. The Board took the decision that the potential long-term benefits to the deliverability, financeability and ultimately the future operational costs of this flowsheet justified the expense and work. To date the initial results of this testwork are encouraging and a final decision on the flowsheet will be taken in 2024 as part of the BFS.
- **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. In March 2023, the Company completed a £18.75m fundraise in which the Company secured its first industrial cornerstone partner, AMG Advanced Metallurgical Group. AMG invested more than £12m for 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. To date the Company has not committed offtake as part of any fundraising as we believe that this is a strategic asset that will yield more value for the Company later in the Company’s development.
- **Continued use of PrimaryBid (or equivalent) for retail investors** – The Directors believe that it is good governance for the Company to do all it can to allow existing shareholders and the wider retail market to participate in any Company fundraisings. The Company used PrimaryBid in both the December 2021 and March 2023 fundraisings to allow participation by retail shareholders. 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 cannot forewarn shareholders of an imminent fundraising.



Anton du Plessis
Director, CEO
21 March 2024

ZINNWALD LITHIUM PLC
DIRECTORS' RESPONSIBILITY STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

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.

The Directors present their annual report and audited financial statements for the year ended 31 December 2023.

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 47.

No ordinary dividends were paid. The directors do not recommend payment of a 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)
- Dr Stefan Scherer (Non-executive Director) – appointed 25 April 2023

Directors' interests

The Directors' interests in the shares of the Company are set out on page 35.

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 2024:

Major Shareholder	No of Shares	% of Issued share capital
AMG Critical Materials N.V.	118,996,738	25.1%
Henry Maxey	69,236,495	14.6%
Ganfeng Lithium	25,465,889	5.4%
Mark Tindall	19,752,443	4.2%
Oberon Investments Limited	14,176,076	3.0%

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. 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.

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 to convert £13m of the £18.75m cash raised in March 2023 into Euros to match its planned spend for 2023 and into 2024.

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 UK in the reporting period must include energy and carbon information within their directors' report.

Zinnwald Lithium Plc does not qualify as a quoted company or a large unquoted company and therefore is presently exempt from the SECR reporting requirements. It also has minimal UK carbon usage, as its primary base of physical operations is Germany. However, in the interests of disclosure, in 2023 the Group as a whole estimates that it has consumed circa 4,650,000 kWh (2022: 900,000 Kwh) of energy in the period, due primarily to its 84 hole drilling campaign in Germany. The Group is developing its reporting systems and KPI metrics to establish baselines for a wider range of energy and carbon reporting metrics for future reporting and will publish these as the Project develops.

On behalf of the board



Jeremy Martin
Director
21 March 2024

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 November 2023) 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 October 2023. This statement includes more comprehensive disclosures considered to be more appropriate in that format.

Board Composition

As at 31 December 2023, the Board comprised two Executive Directors, a Non-Executive Chairman and three 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. The Board notes that the Company follows the QCA guidelines on Corporate Governance that does not prohibit non-executive Directors participating in performance related remuneration schemes, provided that it is mindful of any potential effects on objectivity and director independence. The Board believes that the number of Options granted to Non-Executive Directors are not material in either value or in relative terms to issued share capital. The Board believes that issuing these Options strikes an appropriate balance that preserves the Company's cash whilst enabling it to recruit and retain the calibre of its technically and commercially experienced Directors. The Board is in regular contact with its significant shareholders, none of whom have expressed any concerns around the award of these Options and continue to overwhelmingly vote in favour of resolutions proposed at the Company's AGMs.

Dr Stefan Scherer was appointed as a Non-Executive Director in April 2023 under the terms of the relationship agreement signed with AMG Critical Minerals N.V. ('AMG') as part of its participation in the fundraise in March 2023 that resulted in it owning 25% of the enlarged share capital of the Company. Under the agreement, AMG has undertaken to the Company and Allenby Capital, the Company's Nominated Adviser, that, for so long as it is interested in Ordinary Shares carrying 15% or more of the Company's voting share capital, it will not act to unduly influence the Company or its Board and will ensure that transactions entered into by it with the Company are on an arms' length basis and independently considered by the Company. The Agreement provides AMG with the right to maintain its 25% shareholding in future fundraises. The Agreement also provides that for so long as AMG is interested in Ordinary Shares carrying a minimum of 15% of the Company's voting share capital, AMG shall be entitled to appoint one Director to the board of the Company. Accordingly, Dr Scherer is not considered independent.

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; and
- 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, are employed on full-time contracts.

All Non-Executive Directors acknowledge in their letters of appointment that the nature of the role makes it impossible to be specific on the 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 Board Committee meetings.

Board Meetings

The Board looks to meet in a formal manner on a quarterly basis, with additional meetings held as required to review the corporate and operational performance of the Group.

Each Board Committee has compiled a schedule of work, to ensure that all areas for which the Board has responsibility are addressed and reviewed during the course of the year.

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

A summary of Board meetings attended in the 12 months to 31 December 2023 is set out below:

	25 April	13 June (also AGM)	18 September	19 December
Jeremy Martin	✓	✓	✓	✓
Anton du Plessis	✓	✓	✓	✓
Cherif Rifaat	✓	✓	✓	✓
Graham Brown	✓	✓	✓	✓
Peter Secker	✓	✓	✓	✓
Stefan Scherer	✓	✓	✓	✓

Board Committees

The Board has delegated specific responsibilities to the Audit, Remuneration and Sustainability Committees, details of which are set out below. In December 2023, in accordance with the recommendations of the updated QCA Corporate Governance Code, the Board approved the establishment of a Nominations Committee, which will be duly constituted in 2024. 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.

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, its 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 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 revised in November 2023 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 Sustainability 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 Sustainability 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; and
- 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 Sustainability Committee. The Sustainability 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 2023

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 is a geologist with over 25 years experience with a track record of discovery and project development in precious and critical minerals across Latin America and Europe. He has a strong technical background covering early-stage exploration, feasibility study, project evaluation, permitting, sustainability reporting and structuring, and ultimately to project development. He has broad capital markets experience on AIM and the TSX, having completed a number of IPOs, and established JVs and or partnerships with some of the leading major mining companies, including AngloGold, Teck, Glencore and Vale. Mr Martin holds a BSc (Hons) from the Camborne School of Mines and MSc.

Anton du Plessis: Chief Executive Officer

Mr du Plessis joined the Company, originally as Chief Executive Officer, in October 2018. He has over 25 years' experience in the mining, industrial and finance sectors. During this time, he 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 several leading global companies including AngloGold Ashanti, Rio Tinto and BHP Billiton. Prior to embarking on his investment banking career, He 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 with more than 20 years of venture capital, corporate finance, operational turnaround and investor relations experience since his qualification with KPMG. He has primarily worked with technology, mining and real estate companies, with an emphasis on those in a start-up, pre-IPO or restructuring phase. He has been a corporate and financial adviser to the lithium mining company, Bacanora Lithium Ltd, since it listed on AIM in 2014, and is currently its company secretary. He 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. Graham 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, he 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 programmes. 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.

Peter Secker: Non-Executive Director

Mr Secker has served as a non-executive Director of the Company since October 2020. 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 several commodities, including titanium, copper, iron ore, gold and lithium. For the past 15 years, Peter has been Chief Executive of several publicly listed companies in Canada, the UK and Australia; he is currently CEO of Bacanora Lithium Ltd.

Dr Stefan Scherer: Non-Executive Director

Dr Scherer has served as a non-executive director of the Company since April 2023. He has more than 20 years' experience in the speciality and fine chemical industries having studied chemistry at the Technische Hochschule Darnstadt and completed a PhD in Organic Chemistry at the Goethe University in Frankfurt. He is currently Chief Executive Officer of AMG Lithium GmbH and Chief Commercial Officer of AMG Lithium BV, where he is responsible for AMG's downstream lithium business and its overall lithium development strategy. Prior to this, he held various R&D, operational, and management positions including roles at Albemarle and Rockwood Lithium/Chemetall

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. The Board will keep this under review as it progresses towards a financing decision and ultimately construction of the Project.

Company Secretary

The Chief Financial Officer undertakes the role of Company Secretary, as the Board does not feel the size of the company warrants an individual to be employed specifically for this role. Mr Rifaat is an experienced Plc company secretary with extensive experience of the AIM market. The Board will look to appoint an individual company secretary when it is closer to its financing decision on the Project.

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 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 Directors 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, Chief Executive Officer and Chief Financial Officer.

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

- The Company's latest Investor presentation;
- The Company's most up to date technical reports on each of its projects;
- Annual and Half-Yearly Financial Statements;
- All company press releases issued under the RNS service;
- Notice of any General Meetings will be posted on the website as well as announced via RNS;
- Details on the results of all resolutions put to a vote at the most recent AGM;
- Contact details including a dedicated email address (info@zinnwaldlithium.com) through which investors can contact the Company; and

- The results of voting on all resolutions in future general meetings will be posted to the Group's website, including any actions to be taken as a result of resolutions for which votes against have been received from at least 20 per cent. of independent shareholders.

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

ZINNWALD LITHIUM PLC
 AUDIT COMMITTEE STATEMENT
 FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023.

During 2023, 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 2023

Significant issues and judgements

In considering the financial results contained in the 2023 Annual Report and Financial Statements, the Audit Committee reviewed the significant issues and judgements made by management in determining those results. A summary of these issues is detailed below:

Accounting Issue	Summary	Action Points by Committee
Critical Judgement and estimates 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.
Going concern Accounting basis of preparation	Reviewed detailed budget and cashflow forecasts for 2024-25 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 2024. Recommended approval of the budget and a going concern accounting basis be adopted.
Financial Processes 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 Zinnwald Lithium. The CFO has commenced the early stage planning to scale up the Group’s accounting systems to support the Project when it moves into construction phase.	Review of updated Financial Reporting Procedures manual. Recommended approval of the updated manual to the Board. The Committee has reviewed the CFO’s initial feedback on long term plans for accounting systems and will continue to monitor as Project progresses.
Risk Management Process Continued development of the risk management process	The Company updates its risk register and disclosures on an annual basis and continues to develop 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.

Long-term Tax Planning and Group Structure

As the Group moves towards completion of its BFS in late 2024 and thereafter to financing the Project into the construction and operational phase, the Company has identified a number of strategic areas that need to be addressed from a Tax planning perspective. The Committee put the requirement for tax advice out to tender with a number of accounting firms and selected EY to provide the initial advice to the Company. This work will be continued in further detail in 2024. The four main areas commissioned for review are:

- Long-term Group structure to accommodate likely sources of project finance (debt providers, private equity, royalty companies and off-takers) which could be located in a number of different jurisdictions, whilst minimising the risk of tax “leakage” within the Group as a whole;
- Transfer Pricing (“TP”), both within the Group and also to end customers, is an increased focus of tax authorities and the Group will need to have materially finalised its TP structures and engaged with German tax authorities as part of its work on the BFS and then financing;
- Carbon Adjustment Mechanisms and related regulations are coming into force in the EU over the coming years and the Group will need to take this into account as part of the BFS and its planned Life Cycle Assessment work in 2024; and
- Potential grant funding opportunities both within Germany and the EU are extensive and require support in any future submissions by the Group.

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 2023. The Audit Committee agreed with the audit approach at the planning stage and agreed with the materiality thresholds, identification of the key risk areas and significant judgements and estimates.

The Audit Committee and the Board monitored the auditor’s objectivity and independence. The Audit 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 compliance 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.

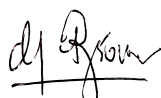
Internal Auditor

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
21 March 2024

ZINNWALD LITHIUM PLC
 REMUNERATION COMMITTEE STATEMENT
 FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023.

This report is prepared in accordance with the Quoted Companies Alliance (QCA) Remuneration Committee Guide for small and mid-sized quoted companies, revised in 2020. A summary of the Remuneration Committee's role, membership and relevant qualifications can be found in the corporate governance section herein or the QCA statement on the website.

Remuneration Committee meetings are ordinarily held at least twice a year with the primary focus of setting goals for the coming period and then assessing results at the end of that period. During the year, the Remuneration Committee met twice at the beginning of 2023 to review and score the targets for awards under all schemes relating to the 2022 period, which resulted in awards announced on 23 March 2023. In December 2023, the Remuneration Committee met to undertake its initial review of performance in 2023 and set targets and KPIs for 2024. The Remuneration Committee has met twice since the year end to review and score the targets for the 2023 period and made its recommendations to the Board in regard to awards under all schemes, which are detailed below and were issued on 15 January 2024.

Part 2 – Remuneration Policy

Zinnwald Lithium's remuneration policy for executives, directors and employees is designed to support the delivery of the Group's sole focus being the development of the Project from exploration stage through to being a meaningful supplier of battery-grade lithium products to the European battery industry. Basic annual remuneration is set at a level to compete with other rival employers to ensure the development of an owners team that can deliver the project. The various short- and long-term incentives schemes, originally developed under advice received from independent consultants and approved by shareholders at the time of the 2020 RTO, are designed to specifically link rewards with long term performance both in terms of delivered key strategic milestones as well as overall returns to shareholders. This policy has been reviewed by major shareholders, which have continued to support the Company by consistently voting significantly in favour of resolutions proposed by Directors at the AGMs. The Board has no plans to amend this overall remuneration policy.

Part 3 - Director remuneration

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. All Executive Directors have a six month notice period in their contracts and no "loss of office" payments bar the notice period. All Non-Executive Directors entered into appointment letters at the time of the RTO in October 2020 on a fixed annual fee basis. The Non-Executive Directors have three month notice periods in their letters, apart from the Chairman who has a six-month period to reflect the significance of the role. There are no "loss of office" clauses in the letters.

The tables below detail total emoluments received by each Director for the periods covered by this report, split between cash costs to the Company and non-cash share incentive charges for the period. The Share Incentive Charge represents the value charged to the income statement in the relevant period, which is charged across the total of the relevant vesting periods. It does not represent the value received by the recipient on vesting, in particular the RSUs, which is disclosed separately.

	Salary / Fees	Cash costs to Company			Total	Non-cash Share Incentive Charge	Grand Total
		Other taxable	Pension Costs	Social Security Costs			
Group 2023	£	£	£	£	£	£	£
Executive Directors							
Anton du Plessis	272,160	-	27,216	36,799	336,175	201,493	537,668
Cherif Rifaat ^[1]	226,800	-	22,680	30,457	279,937	104,311	384,248
Non-Executive Directors							
Jeremy Martin	70,200	-	-	8,560	78,760	16,675	95,435
Graham Brown	43,200	-	-	4,785	47,985	11,480	59,465
Peter Secker	43,200	-	-	4,785	47,985	11,480	59,465
Stefan Scherer	-	-	-	-	-	-	-
Total	655,560	-	49,896	85,386	790,842	345,439	1,136,281

ZINNWALD LITHIUM PLC
 REMUNERATION COMMITTEE STATEMENT
 FOR THE YEAR ENDED 31 DECEMBER 2023

[1] As detailed in the 2020 Admission Document, Mr Rifaat was employed on the initial basis of 50% of his time on an initial annualised salary of £200,000. His time commitment increased to 70% in 2022 and to 100% from 2023 onwards to reflect his expanded workload and the stage of development of the Zinnwald Project. His annualised salary has increased in line with inflation since 2020.

	Salary / Fees	Cash costs to Company			Total	Non-cash Share Incentive Charge	Grand Total
		Other taxable	Pension Costs	Social Security Costs			
Group 2022	£	£	£	£	£	£	£
Executive Directors							
Anton du Plessis	252,000	-	25,200	48,633	325,833	118,125	443,959
Cherif Rifaat	150,000	-	15,000	20,199	185,199	54,688	239,987
Non-Executive Directors							
Jeremy Martin	65,000	-	-	8,004	73,004	18,854	91,858
Graham Brown	40,000	-	-	4,417	44,417	11,312	55,729
Peter Secker	40,000	-	-	3,197	43,197	11,312	54,509
Stefan Scherer	-	-	-	-	-	-	-
Total	547,000	-	40,200	84,450	671,650	345,439	885,941

Following the year end, the Committee recommended a 6% inflationary increase to salaries and Directors fees that took effect on 1 January 2024.

On 15 January 2024, the first tranche of 1,909,531 RSUs originally issued in January 2022 reached their vesting date, and in accordance with the rules of the scheme vested at a price of 7.11p being the 20 Day VWAP price at close on 12 January 2024. The gross value of these vested RSUs equated to £92,803 to Anton du Plessis and £42,964 to Cherif Rifaat as compared with the associated share incentive charge expensed over 2022 and 2023 of £189,000 and £87,500 respectively.

The vesting of these RSUs is treated as if a cash bonus and is taxed accordingly through payroll. The Board has discretion under the scheme rules to either pay the tax due from its own cash reserves and issue the net number of shares, which is 53% of the number of RSUs (income tax of 45% and NI of 2%); or to issue the full number of RSUs as shares and the recipients must sell the effective 47% to settle the tax due. The Board concluded that, due to the low-level of current trading volumes in the Company's shares and that a TR-1 showing share sales by Directors, these could risk a negative impact on the Company's share price. The Board elected to settle the tax due from cash reserves with the proviso that this does not create a precedent for future vestings and each annual decision will be made at that date. Accordingly, 691,782 shares were issued to Anton du Plessis (being 53% of 1,305,249 RSUs) and 320,269 shares were issued to Cherif Rifaat (being 53% of 604,282 RSUs).

Part 4 – Directors interests in shares

The table below shows the movement in each Director's interests in shares of the Company, including the figures at the end of each accounting period together with movements since the year end.

	Opening at 1 January 2023	Shares acquired / (disposed of)	Shares issued on vesting of incentives	Closing at 31 December 2023	Shares issued on vesting of incentives	As at 21 March 2024
Anton du Plessis	6,351	720,000	-	726,351	691,782	1,418,133
Cherif Rifaat	120,046	675,000	-	795,046	320,269	1,115,315
Jeremy Martin	27,000	-	-	27,000	-	27,000
Graham Brown	-	-	-	-	-	-
Peter Secker	178,695	-	-	178,695	-	178,695
Stefan Scherer	-	-	-	-	-	-

Anton du Plessis and Cherif Rifaat both participated in the March 2023 on the same terms as all other investors at a price of 10.41p and acquired 720,000 shares (£74,952) and 675,000 shares (£70,268) respectively.

As noted in Section 3 above, after the year end, they also received shares on the vesting of RSUs in January 2024.

ZINNWALD LITHIUM PLC
 REMUNERATION COMMITTEE STATEMENT
 FOR THE YEAR ENDED 31 DECEMBER 2023

Part 5 – 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 full details on all existing Options as at 31 December 2023. The table includes awards made after year end, but which relate to a performance period that completed during the 2023 financial year. For further detail on all Options please refer to Note 22 to the Consolidated Financial Statements:

Name	Grant date	As at 31 December 2023		Expiry Date	Exercise Price
		Vested Options	Unvested Options		
Jeremy Martin	29-Oct-20	100,000	-	28-Oct-25	£0.0500
	15-Jan-22	166,667	83,333	15-Jan-27	£0.1810
	23-Mar-23	116,667	233,333	23-Mar-28	£0.1041
	15-Jan-24	-	350,000	15-Jan-29	£0.0675
Graham Brown	29-Oct-20	100,000	-	28-Oct-25	£0.0500
	15-Jan-22	100,000	50,000	15-Jan-27	£0.1810
	23-Mar-23	83,333	166,667	23-Mar-28	£0.1041
	15-Jan-24	-	250,000	15-Jan-29	£0.0675
Peter Secker	15-Jan-22	100,000	50,000	15-Jan-27	£0.1810
	23-Mar-23	83,333	166,667	23-Mar-28	£0.1041
	15-Jan-24	-	250,000	15-Jan-29	£0.0675
Stefan Scherer		-	-		
Total Directors		850,000	1,600,000		
Staff & Consultants	15-Jan-22	2,300,000	1,150,000	15-Jan-27	£0.1810
	23-Mar-23	533,333	1,066,667	23-Mar-28	£0.1041
	15-Jan-24	-	3,500,000	15-Jan-29	£0.0675
Total Staff & Consultants		2,833,333	5,716,667		
Total		3,683,333	7,316,667		

The Board notes that the Company follows the QCA guidelines on Corporate Governance that does not prohibit non-executive Directors participating in performance related remuneration schemes, provided that it is mindful of any potential effects on objectivity and director independence. The Board believes that the number of Options granted to Non-Executive Directors are not material in either value or in relative terms to issued share capital. The Board believes that issuing these Options strike an appropriate balance that preserves the Company's cash whilst enabling it to recruit and retain the calibre of its technically and commercially experienced Directors. The Board is in regular contact with its significant shareholders, none of whom have expressed any concerns around the award of these Options and continue to overwhelmingly vote in favour of resolutions proposed at the Company's AGMs.

Part 6 – Awards under the Executive RSU and PSU Incentive Schemes

With effect from 1st October 2020, the Company adopted the RSU and PSU Schemes for Executive Management, both of which were approved by shareholders on 26 October 2020 as part of the RTO of Bacanora's original stake in Deutsche Lithium into Zinnwald. The rules of both schemes replicate scheme structures devised for Bacanora by Pearl Meyer in an independent review of executive remuneration in February 2020.

Short Term RSU Scheme ("2020 RSU Scheme")

The RSU scheme, in essence, is effectively an annual cash bonus system where the pay-outs are in a form of deferred equity. It is a three-year scheme, in line with best practice, comprising one year performance assessment followed by two years to automatic vesting in full on that date. Other important terms are as follows:

- Vesting of RSUs after two years is taxed through payroll as if a cash bonus on that date;
- Value on vesting is the number of RSUs multiplied by the share price on date of vesting;
- Company has sole discretion to make any net after tax payout in cash or ordinary shares;
- Awarded RSUs cannot vest early, unless there is a change in control; and
- Standard good-leaver / bad-leaver provisions, malus and claw-back.

ZINNWALD LITHIUM PLC
 REMUNERATION COMMITTEE STATEMENT
 FOR THE YEAR ENDED 31 DECEMBER 2023

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. For reference, the relative percentage achievements and VWAP prices have been as follows:

- 2021 Performance Period – 70% achievement, VWAP Price of 14.48p
- 2022 Performance Period – 60% achievement, VWAP Price of 7.08p
- 2023 Performance Period – 60% achievement, VWAP Price of 7.32p

The Board has agreed KPIs for the 2024 Performance period based on a split of 60% Operational, 20% Corporate and 20% ESG targets over and above ordinary role requirements. The maximum potential payout is 100% as a percentage of salary for the period.

The table below shows full details on all existing RSUs as at 31 December 2023. The table includes awards made after year end, but which relate to a performance period that completed during the 2023 financial year, as well as the vesting of RSUs noted in section 3 above. For further detail on all RSUs please refer to Note 22 to the Consolidated Financial Statements:

Name	Number	Grant date	Vest date	P&L Valuation at Grant Price	Value	Actual Value at Exercise Price	Value
Anton du Plessis	1,305,249	15-Jan-22	15-Jan-24	£0.1448	£189,000	£0.0711	£92,803
	2,135,593	23-Mar-23	23-Mar-25	£0.0708	£151,200	n/a	n/a
	2,306,441	15-Jan-24	15-Jan-26	£0.0732	£168,831	n/a	n/a
Cherif Rifaat	604,282	15-Jan-22	15-Jan-24	£0.1448	£87,500	£0.0711	£42,964
	1,271,186	23-Mar-23	23-Mar-25	£0.0708	£90,000	n/a	n/a
	1,922,034	15-Jan-24	15-Jan-26	£0.0732	£140,693	n/a	n/a

Long Term PSU Scheme ("2020 PSU Scheme")

The PSU scheme is a five-year scheme, in line with best practice, comprising three year performance assessment followed by two 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 percentage of salary and the share price at the start of the period. Other important terms are as follows:

- PSUs vest on the second-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 multiplied by the 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:

- 50% based on an objective goal(s) relating to corporate strategy for the three-year measurement period, if deemed appropriate at the beginning of the period, and
- 50% based on 'Relative Total Shareholder Return ("RTSR")' against the relevant peer group. In terms of assessing the RTSR payout, the objective criteria were agreed as:
 - 1st Quartile vs Peer Group (ie: above 3rd ranked peer). PSUs = 100% of RTSR Maximum
 - 2nd Quartile vs Peer Group (ie: above 5th ranked peer). PSUs = 50% of RTSR Maximum
 - 3rd Quartile vs Peer Group (ie: above 7th ranked peer). PSUs = 25% of RTSR Maximum
 - 4th Quartile vs Peer Group (ie: below 7th ranked peer). PSUs = Nil

In terms of the starting criteria for each performance period, they are as follows. In the event a strategic goal has already been included in a prior period, then if that goal is achieved in the prior performance period then it shall not be assessable in the subsequent period:

- 1 October 2020 to 31 December 2023
 - Maximum payout of 100% of salary divided by RTO share price of 5p
 - Strategic goal being securing of remaining 50% of Zinnwald Lithium GmbH
- 1 January 2022 to 31 December 2024
 - Maximum Base case payout of 100% of salary divided by 1 January 2022 VWAP of 14.48p.
 - Stretch cash payout of 200% of Base salary if share price stays above 50p for a material period.
 - Super-performance payout of 300% of Base salary if share price stays above £1

ZINNWALD LITHIUM PLC
 REMUNERATION COMMITTEE STATEMENT
 FOR THE YEAR ENDED 31 DECEMBER 2023

- Strategic goals being 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; and significant progress on key access agreements, key project permits and licenses
- 1 January 2023 to 31 December 2025
 - Maximum Base case payout of 50% of salary divided by 1 January 2023 VWAP of 7.08p. Stretch cash payout of 100% of Base salary if share price stays above 50p for six months
 - Strategic goals being on completion of construction funding by end of H1 2025 and start of construction by end of H2 2025
- 1 January 2024 to 31 December 2026
 - Maximum Base case payout of 50% of salary divided by 1 January 2024 VWAP of 7.32p. Stretch cash payout of 100% of Base salary if share price stays above 30p for six months.
 - Strategic goals being the following:
 - 50% - Secured a portion (>20%) of total project capital requirements in grant funding from EU and/or German state sources, and
 - 50% - Formal Board approval for the construction of the mine and process plant by end H2 2026

The first performance period completed at the end of the 2023 financial year and the strategic goal was achieved and the Company's RTSR performance ranked the Company above the 5th ranked peer. Accordingly, an overall award of 75% of the maximum potential was granted, being 50% for achievement of the strategic goal and 25% (50% quartile x 50% for RTSR metric). The table below shows the grants made on 15 January 2024. For further detail on all RSUs please refer to Note 22 to the Consolidated Financial Statements:

Name	Number	Grant date	Vest date	P&L Valuation at Grant Price	Value	Actual Value at Exercise Price	Value
Anton du Plessis	3,000,000	15-Jan-24	15-Jan-26	£0.0732	£219,600	n/a	n/a
Cherif Rifaat	1,500,000	15-Jan-24	15-Jan-26	£0.0732	£109,800	n/a	n/a

Peer Groups for the PSUs

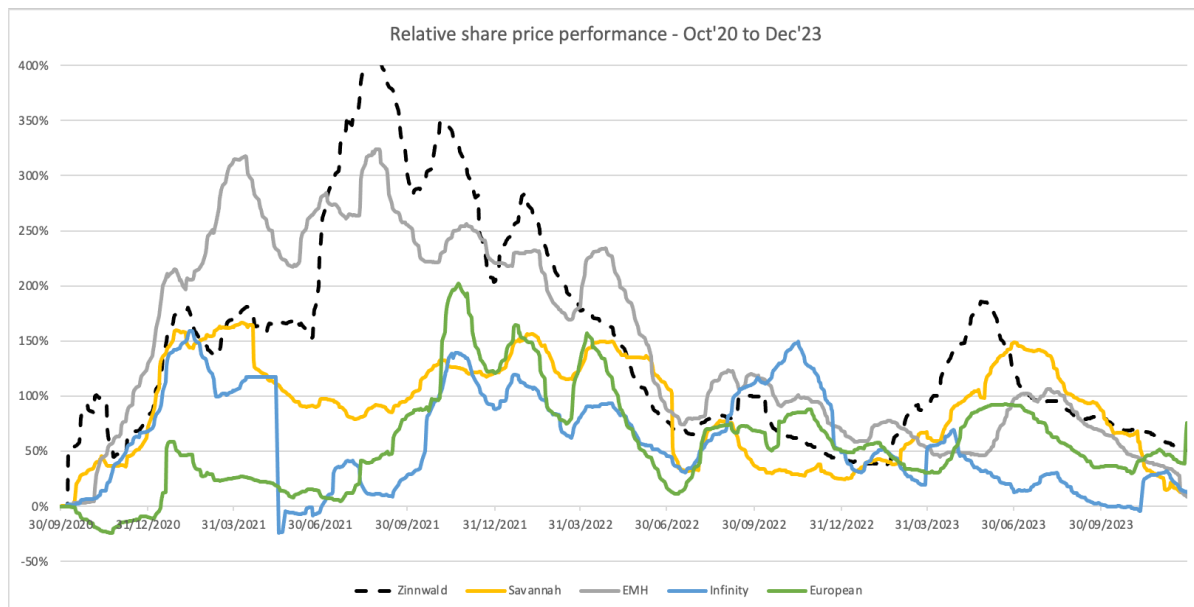
The initial Peer Group for the first performance period comprised all of the listed lithium companies that met the criteria of most or all of being European focussed or listed, pre-production and either hard or soft rock in nature. These peer group companies were Bacanora (AIM:BCN), European Metals Holdings (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). For the second and third performance periods, the Peer Group remained the same aside from Atlantic Lithium (AIM:ALL) replacing Bacanora.

As the overall market of "Listed" Lithium companies has evolved since 2020, the Committee reviewed the Peer Group for the new 4th performance period and has recommended the replacement of Critical Elements (Canadian spodumene) and Kodal Minerals (African spodumene) with Bradda Head (UK listed Lithium company) and RockTech Lithium (German focussed lithium company). The peer group for this 4th Performance Period is accordingly European Metals Holdings (AIM: EMH), Savannah Resources (AIM:SAV), Infinity Lithium (ASX:INF), Vulcan Energy Resources (ASX:VUL), European Lithium (ASX:EUR), Atlantic Lithium (AIM:ALL), Bradda Head (LSE:BHL) and RockTech Lithium (TSX:RCK).

Part 7 – Relative Share Price performance

In accordance with guidance from the QCA recommendations for remuneration reports, the chart below tracks relative share price growth of the Company against its relevant peers since the Company was readmitted to AIM in October 2020 on completion of its RTO. The peers chosen are all listed companies with standalone hard rock lithium projects in Europe, being European Metals Holdings (Czech), Savannah Resources (Portugal), Infinity Lithium (Spain) and European Lithium (Austria).

ZINNWALD LITHIUM PLC
REMUNERATION COMMITTEE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023



For and on behalf of the Remuneration Committee

Jeremy Martin
Chairman of Remuneration Committee
21 March 2024

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 2023. 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 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 believe 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.

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; and
- Promote and encourage involvement in local environmental initiatives/schemes.

Part 2 – Sustainability of the Zinnwald Project

The Project has been designed in its entirety to deliver the most sustainable outcomes:

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; and
- 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; and
- German energy sources currently include a higher overall “low carbon” component than some regions that are currently important suppliers of lithium.

Part 3 - External Reporting Frameworks and Initiatives

As part of its BFS and permitting work, the Group is finalising its scope and planning for its Environmental and Social Impact Assessment (‘ESIA’) and Environmental and Social Management Plan (‘ESMP’). From a project finance angle, 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, as well as the requirements of the IFC Performance Standards and the broadly aligned EBRD Performance Requirements. In addition, the WBG EHS Guidelines for Mining and General Guidelines are relevant to meeting international lender standards. The Group will also evaluate the applicability of the Initiative for Responsible Mining Assurance (‘IRMA’) certification.

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 4 – Progress made in 2023

On **Environmental** matters, Zinnwald is committed to applying the highest standards for environmental protection, not only in its future operations, but more immediately in its current on-going exploration phases of the Project. In conjunction with its environmental surveyors and consultants, the team is focused on defining its future environmental management strategies and delivery of its Environmental Impact Assessment (‘EIA’). The Company has already commenced its monitoring and baseline studies at its preferred site locations through GLU and Umweltberatung Schulz.

The Saxony Mining Authority (‘SOBA’) is the ultimate permitting authority for the mandatory Framework Operating Permit (‘MFOP’), which will cover all matters that require permitting under the national mining act. As previously announced, the Company formally submitted its scoping document to SOBA on 21 April 2023, which started the formal permitting process for the construction and operation in Germany. Based on information in the scoping document, SOBA arranged a scoping meeting with stakeholders on 22 August 2023. The meeting served as a platform to discuss the Project plans and to receive the first feedback from stakeholders on all aspects of the Project. The feedback will be taken forward in subsequent formal application stages. Based on the scoping meeting feedback, the Company engaged with the State Directorate, department for spatial planning, in Dresden, and initiated the process of “Early Spatial Planning Procedure”. This will ensure that the Company remains on track with the upcoming public hearings and in the permitting process.

The Project’s permitting has been supported by GLU, which has extensive experience of mine and resource project permitting in the region. The Company has maintained international best practice in the permitting by keeping a transparent approach to project development and stakeholder engagement as well as community relations. The Company also anticipates engaging another environmental and social consulting group to cover aspects of social impacts under United Nations Framework Classification for Resources (‘UNFC’) standards.

On **Social** matters, with the Project gaining momentum, the Company has increased its staff numbers to support the accelerated exploration activities as well as on-going feasibility study development work. The Company also continues to expand its long-term operational owners’ team in Germany with a number of critical hires across several functional areas including process engineering and permitting. In October 2023, Marko Uhlig joined the team as Managing Director of Zinnwald Lithium GmbH. Marko is a seasoned professional manager with a wealth of commercial experience gained over a career of more than 30 year. He has worked in Germany as well as internationally for companies including ThyssenKrupp AG and SKW Metallurgie AG and is a graduate of Freiberg University. The local Project team now comprises sixteen full time staff of which five are female. In total the Company currently has twenty two full-time professionals (including employees and consultants) working across disciplines in both the Freiberg and London office locations.

Engagement with the local community of Zinnwald has always been a high priority to the Company. In May 2023, the Company held a well-attended information event at the Zinnwald town hall that outlined the on-going drill-campaign as well as future development plans. This enabled local residents and stakeholders to raise concerns and pose questions directly to the local Project team as well as the UK executive team. The event included a visit to one of the nearby drill rigs and an explanation of the steps taken to keep noise to a minimum, as well as how the Company remediates all drill holes and keeps its environmental impact as low as practicable.

Over the course of 2023, the Company operated with six drill rigs in the town and its vicinity, often drilling in residents' gardens and the general reception has been positive. A dedicated community relations campaign accompanies the drilling programme until full completion and will continue during the hydrogeology drilling campaign. The Company applies the highest standards and international best practice with regards to health and safety measures for drilling campaigns.

On **Health and Safety** matters, the Group unfortunately had a single lost-time due to injury ('LTI') event due to an injury to a contractor, which whilst not the Company's fault or liability, remains classified as a reportable LTI. This is despite the material increase in direct operational work primarily a major drill campaign and associated sample processing. As a result, the Group has worked to further strengthen its procedures around health and safety reporting and training for all employees and contractors (who are considered in the same way as employees).

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, including the 2023 revised guidance, and this Committee ensures 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.

The Company also completed its formal rebranding of the Group and its subsidiary, previously known as Deutsche Lithium GmbH, under the banner of Zinnwald Lithium to reflect the strong ties to the local community and the town bearing its name, as well as its positioning it as a German project established to serve the German car industry. The Group has retained the trademark to "Deutsche Lithium" and will use it as the branding for the ultimate end product. As part of this rebranding, the Group relaunched its website to better support the Group's three core audiences – investors, local stakeholders, and the ultimate end users. The Company's shareholder base also continues to evolve towards an ultimate majority German and EU ownership.

Part 5 – Plans for 2024

The Group has an extensive set of plans for 2024. On the **Environmental** front, in January 2024, Zinnwald Lithium received the Scoping Meeting Report from SOBA, detailing stakeholder feedback on the Project. The Company is addressing these items in its pursuit of the mandatory Framework Operating Permit ('MFOP') and is concurrently undergoing the "Early Spatial Planning Procedure" to ensure compliance with legal requirements and early public engagement. The Company has ongoing engagement with all the relevant authorities and other stakeholders including the State Directorate for spatial planning. As noted above, one of the main areas of focus in 2024 and into 2025 will be the ESIA and ESMP work.

On the **Social** front, engagement with the local community of Zinnwald remains a priority for the Company. Accordingly, the Company's local MD, Marko Uhlig, holds regular meetings with local and regional representatives to foster collaboration and dialogue on community-related matters. The Company is planning to host another town hall event in the coming months to provide further details on the development of the Project, its benefits, and its aim to mitigate impact on the environment and community.

On the Governance side, as part of the ESIA work, the Group will work on its formal engagement process with its main stakeholders and will be sending out detailed questionnaires to enable the completion of a formal Materiality Risk Assessment. This will enable the Group to better tailor its operational policies, activities and reporting to the risks identified.

For and on behalf of the Sustainability Committee



Jeremy Martin
Chairman of Sustainability Committee
21 March 2024

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 2023 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 2023 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included an evaluation of management's assessment and a review of management's budget and cash flow forecasts prepared up to 30 June 2025. 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 €853,000 (2022: €453,000) and €496,000 (2022: €450,000) respectively, based on 2% of gross assets for both the Group and parent company. Materiality of the parent company was capped at 58% of group materiality to ensure adequate audit evidence was obtained over the parent company financial statements in relation to the Group.

The use of asset-based materiality reflects the ongoing investment in Zinnwald 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 €496,000 to €712,000. Performance materiality for the group, and all significant components including the parent company, was set at 70% of overall materiality.

ZINNWALD LITHIUM PLC
 INDEPENDENT AUDITOR'S REPORT
 FOR THE YEAR ENDED 31 DECEMBER 2023

We agreed with the audit committee that we would report all audit differences identified during our audit in excess of €42,650 (2022: €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>Valuation and recoverability of intangible assets (refer note 12)</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>The group's projects are still at the exploration stage of development. Independently prepared resource estimates are available and the group uses these reports in their consideration of impairment indicators per IFRS 6, which 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"> • Agreeing additions during the year to invoice/supporting documentation; ensuring that the expenditure is eligible to be capitalised in accordance with IFRS 6; • Assessing management's impairment review, taking into account both internal and external indicators and impairment indicators per IFRS 6; • Verifying title to project licenses and compliance with the terms therein; • Assessing progress on the exploration projects during the year; and • Ensuring licenses are still valid and that any performance conditions / minimum expenditure requirements were met during the year.
<p>Accounting for investment in subsidiaries / loans to subsidiaries</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"> • 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. • Assessing the recoverability of the investments by reference to the underlying projects. • Reviewing management's impairment assessment and reperform the procedures to verify its accuracy.

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 2023

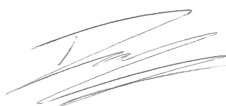
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from the Companies Act 2006, UK adopted international accounting standards, AIM regulations and the operating terms set out in the exploration licenses.
- We designed our audit 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 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. Critical judgements in the financial statements included fair valuation of share based payments and impairment of capitalised exploration costs.
- We addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business, as well as discussions with management where relevant.

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

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

Use of our report

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



Daniel Hutson (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
21 March 2024

15 Westferry Circus
Canary Wharf
London, E14 4HD

ZINNWALD LITHIUM PLC
GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

		31 December 2023	31 December 2022
	Notes	€	€
Continuing operations			
Administrative expenses		(2,560,466)	(1,850,129)
Other operating income	7	183,143	42,948
Share based payments charge	23	(528,626)	(545,225)
		<hr/>	<hr/>
Operating Loss		(2,905,949)	(2,352,406)
Finance income	9	282,229	190
		<hr/>	<hr/>
Loss before taxation		(2,623,720)	(2,352,216)
Tax	10	(18,785)	-
		<hr/>	<hr/>
Loss for the financial year	27	(2,642,505)	(2,352,216)
Other Comprehensive Income		38	(138)
		<hr/>	<hr/>
Total comprehensive loss for the year		(2,642,467)	(2,352,354)
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share from continuing operations attributable to the owners of the parent company	11		
Basic (cents per share)		(0.61)	(0.80)

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 2023

	Notes	31 December 2023 €	31 December 2022 €
Non-current assets			
Intangible Assets	12	27,652,152	18,966,165
Property, plant and equipment	13	386,788	327,528
Right of Use Assets	14	-	185,285
		<u>28,038,940</u>	<u>19,478,978</u>
Current assets			
Trade and other receivables	0	357,463	309,795
Right of Use Assets < 1 year	14	46,131	-
Cash and cash equivalents		14,306,191	3,164,585
		<u>14,709,785</u>	<u>3,474,380</u>
Total Assets		<u>42,748,725</u>	<u>22,953,358</u>
Current liabilities			
Trade and other payables	19	(1,469,564)	(583,661)
Lease Liabilities	14	(47,795)	(140,149)
		<u>(1,517,359)</u>	<u>(723,810)</u>
Net current assets		<u>13,192,426</u>	<u>2,750,570</u>
Non-current Liabilities			
Deferred tax liability	20	(1,382,868)	(1,382,868)
Lease Liabilities > 1 Year	14	-	(47,795)
		<u>(1,382,868)</u>	<u>(1,430,663)</u>
Total Liabilities		<u>(2,900,227)</u>	<u>(2,154,473)</u>
Net Assets		<u>39,848,498</u>	<u>20,798,885</u>
Equity			
Share capital	24	5,365,379	3,316,248
Share premium	25	39,403,810	20,289,487
Other reserves	26	1,896,531	1,367,867
Retained losses	27	(6,817,222)	(4,174,717)
Total equity		<u>39,848,498</u>	<u>20,798,885</u>

The financial statements were approved by the board of directors and authorised for issue on 21 March 2024 and are signed on its behalf by;



Jeremy Martin
Director



Cherif Rifaat
Director

Company Registration No: 10829496

ZINNWALD LITHIUM PLC
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	31 December 2023 €	31 December 2022 €
Non-current assets			
Property, plant and equipment	13	2,693	2,567
Investments	15	14,523,374	14,523,375
		<u>14,526,067</u>	<u>14,525,942</u>
Current assets			
Trade and other receivables	0	15,175,097	5,204,018
Cash and cash equivalents		13,724,866	2,748,145
		<u>28,899,963</u>	<u>7,952,163</u>
Total Assets		<u>43,426,030</u>	<u>22,478,105</u>
Current liabilities			
Trade and other payables	19	(236,118)	(110,755)
		<u>(236,118)</u>	<u>(110,755)</u>
Net current assets		<u>28,663,845</u>	<u>7,841,408</u>
Total liabilities		<u>(236,118)</u>	<u>(110,755)</u>
Net Assets		<u>43,189,912</u>	<u>22,367,350</u>
Equity			
Share capital	24	5,365,379	3,316,248
Share premium	25	39,403,810	20,289,487
Other reserves	26	1,207,800	679,136
Retained losses	27	(2,787,077)	(1,917,521)
Total equity		<u>43,189,912</u>	<u>22,367,350</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 €869,556 (2022: loss of €1,666,447).

The financial statements were approved by the board of directors and authorised for issue on 21 March 2024 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 2023

	Notes	Share Capital	Share premium account	Other reserves	Retained earnings	Total
		€	€	€	€	€
Balance at 1 January 2022		3,316,248	20,289,487	822,780	(1,822,501)	22,606,014
Year ended 31 December 2022						
Loss for the year		-	-	-	(2,352,216)	(2,352,216)
Other comprehensive income:						
Currency translation differences		-	-	(138)	-	(138)
Total comprehensive loss for the year		-	-	(138)	(2,352,216)	(2,352,354)
Issue of share capital	24	-	-	-	-	-
Share issue costs		-	-	-	-	-
Credit to equity for equity settled share-based payments	23	-	-	545,225	-	545,225
Total transactions with owners recognised directly in equity		-	-	545,225	-	545,225
Balance at 31 December 2022 and 1 January 2023		3,316,248	20,289,487	1,367,867	(4,174,717)	20,798,885
Year ended 31 December 2023						
Loss for the year		-	-	-	(2,642,505)	(2,642,505)
Other comprehensive income						
Currency translation differences		-	-	38	-	38
Total comprehensive income for the year		-	-	38	(2,642,505)	(2,642,467)
Issue of share capital	24	2,049,131	19,282,326	-	-	21,331,457
Share issue costs		-	(168,003)	-	-	(168,003)
Credit to equity for equity settled share-based payments	23	-	-	528,626	-	528,626
Total transactions with owners recognised directly in equity		2,049,131	19,114,323	528,626	-	21,692,080
Balance at 31 December 2023		5,365,379	39,403,810	1,896,531	(6,817,222)	39,848,498

ZINNWALD LITHIUM PLC
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Share Capital	Share premium account	Other reserves	Retained earnings	Total
		€	€	€	€	€
Balance at 1 January 2022		3,316,248	20,289,487	134,049	(251,044)	23,488,740
Year ended 31 December 2022						
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)
Issue of share capital	24	-	-	-	-	-
Share issue costs		-	-	-	-	-
Credit to equity for equity settled share-based payments	23	-	-	545,225	-	545,225
Total transactions with owners recognised directly in equity		-	-	545,225	-	545,225
Balance at 31 December 2022 and 1 January 2023		3,316,248	20,289,487	679,136	(1,917,521)	22,367,350
Year ended 31 December 2023						
Loss for the year		-	-	-	(869,556)	(869,556)
Other comprehensive income:						
Currency translation differences		-	-	38	-	38
Total comprehensive income for the year		-	-	38	(869,556)	(869,518)
Issue of share capital	24	2,049,131	19,282,326	-	-	21,331,457
Share issue costs	25	-	(168,003)	-	-	(168,003)
Credit to equity for equity settled share-based payments	23	-	-	528,626	-	528,626
Total transactions with owners recognised directly in equity		2,049,131	19,114,323	528,626	-	21,692,080
Balance at 31 December 2023		5,365,379	39,403,810	1,207,800	(2,787,077)	43,189,912

ZINNWALD LITHIUM PLC
GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Year ended 31 December 2023		Year ended 31 December 2022	
		€	€	€	€
Cash flows from operating activities					
Cash used in operations	32		(1,359,464)		(1,904,775)
Net cash outflow from operating activities			(1,359,464)		(1,904,775)
Cash flows from investing activities					
Exploration expenditure in Germany	12	(8,687,649)		(2,802,075)	
Purchase of property, plant and equipment	13	(112,964)		(351,217)	
Proceeds on disposal of equipment		-		26,471	
Interest received		282,229		190	
Net cash used in investing activities			(8,518,384)		(3,126,631)
Cash flows from financing activities					
Proceeds from the issue of shares		21,331,457		-	
Share issue costs		(168,003)		-	
Lease payments		(144,000)		(96,000)	
Net cash generated from financing activities			21,019,454		(96,000)
Net increase / (decrease) in cash and cash equivalents			11,141,606		(5,127,406)
Cash and cash equivalents at beginning of year			3,164,585		8,291,991
Cash and cash equivalents at end of year			14,306,191		3,164,585

ZINNWALD LITHIUM PLC
COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Year ended 31 December 2023		Year ended 31 December 2022	
		€	€	€	€
Cash flows from operating activities					
Cash used in operations	33		(1,302,118)		(1,272,040)
Net cash outflow from operating activities			(1,302,118)		(1,272,040)
Cash flows from investing activities					
Purchase of property, plant and equipment	13	(1,654)		(696)	
Interest received		282,229		191	
Loans to group undertakings		(9,165,190)		(3,977,990)	
Net cash generated from / (used in) investing activities			(8,884,615)		(3,978,495)
Cash flows from financing activities					
Proceeds from the issue of shares		21,331,457		-	
Share issue costs		(168,003)		-	
Net cash generated from / (used in) financing activities			21,163,454		-
Net increase / (decrease) in cash and cash equivalents			10,976,721		(5,250,535)
Cash and cash equivalents at beginning of year			2,748,145		7,998,680
Cash and cash equivalents at end of year			13,724,866		2,748,145

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 2023:

Name of undertaking	Registered office	Nature of business	Class of shares held	Direct holding	Indirect holding
Zinnwald Lithium Holdings Ltd	United Kingdom	Exploration	Ordinary	100.0%	-
Zinnwald Lithium GmbH	Germany	Exploration	Ordinary	-	100.0%
Zinnwald Lithium Services GmbH	Germany	Leasing	Ordinary	-	100.0%

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

On 29 October 2020, Zinnwald Lithium Plc acquired 50% of the issued share capital of Zinnwald Lithium GmbH (“ZLG”, formerly known as Deutsche Lithium GmbH). On 24 June 2021, the Company acquired the remaining 50% of the issued share capital of ZLG. ZLG is a company registered in Germany. Its registered office is at Am Junger-Lowe-Schacht 10, 09599, Freiberg, Germany.

On 22 February 2023, ZLH incorporated a new company, Zinnwald Lithium Services GmbH (“ZLS”) for the purpose of holding all rental and similar operational leases for the Group’s operations in Germany. ZLG is a company registered in Germany. Its registered office is at Am Junger-Lowe-Schacht 10, 09599, Freiberg, Germany

On 13 June 2023, Zinnwald Lithium Plc disposed of the entire issued share capital of Erris Zinc Limited, which it had owned since incorporation in 2018. All intangible assets relating to the Abbeytown project and all intercompany loans to Erris Zinc had been fully impaired and written off in prior periods. The disposal proceeds was €1 for the share capital and a €3,672 loss on disposal in the period.

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 ZLG and ZLS, 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 2023 was €1.153509.

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).

All financial statements are made up to 31 December 2023. 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 €14.3m at the year end and keeps a tight control over all expenditure. The group is fully financed through to at least the completion of its Bankable Feasibility Study ("BFS") later in 2024 and thereafter into 2025. The Board maintains an ongoing 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. 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

Exploration and evaluation assets are capitalised as Intangible Assets and represent the costs incurred on the exploration and evaluation of potential mineral resources. They include direct costs (such as permitting costs, drilling, assays and flowsheet testwork done by consulting engineers), licence payments and fixed salary/consultant costs, capitalised in accordance with IFRS 6 "Exploration for and Evaluation of Mineral Resources". Exploration and Evaluation assets are initially measured at historic 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 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 rate 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 in 2017 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 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').

1.20 New standards, amendments and interpretations not yet adopted

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

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

- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Effective date 1 January 2024)
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current – Deferral of Effective Date (Effective date 1 January 2024)
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (Effective date 1 January 2024). The Group does not have any sale and leaseback agreements.
- Amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants (Effective date 1 January 2024). The Group has no non-current liabilities with covenants.
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Effective date 1 January 2024). The Group has no supplier finance arrangements.
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rate: Lack of Exchangeability (Effective date TBC)*

*subject to UK endorsement

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

2. Judgements and key sources of estimation uncertainty

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

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

Critical judgements

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

Share-based payments

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

Impairment of Capitalised Exploration Costs

Group capitalised exploration costs had a carrying value as at 31 December 2023 of €27,652,152 (2022: €18,966,165), 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 equity investors or other sources of long term funding. 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 is unlikely, a decision will be made to discontinue exploration.

In Germany, ZLGs core mining license at Zinnwald is valid to 31 December 2047, which underpins the PEA published in September 2022. In November 2023, the group published an updated Mineral Resource Estimate that showed a materially increased resource that underpins both the size of the Project and its long mine life. ZLG has additional exploration licenses at Falkenhain valid to 31 December 2025, at Altenberg to 15 February 2027, at Sadisdorf to 30 June 2026 and at Bärenstein, newly granted in 2023 and valid to 30 June 2028. The 2022 PEA showed a material increase in size and output of the Project and underpinned a pre-tax NPV of \$1.6 billion and a post-tax NPV of \$1.0 billion and post-tax IRR of 29%. Accordingly, the Board has concluded that no impairment charge is required for these assets.

On 13 June 2023, the group sold Erris Zinc Ltd 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. The Company had fully impaired the carrying value of these Ireland assets in its 2021 accounts and accordingly no further impairments are required. The group consolidated the results of Erris Zinc up to the date of disposal, although the expensed amounts are not material to the group results.

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 to convert £13m of the £18.75m cash raised in March 2023 into Euros to match its planned spend for 2023 and into 2024.

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.

4. Segmental reporting

The Group operates in the UK and Germany. Activities in the UK include the Head Office corporate and administrative costs whilst the activities in Germany relate to ongoing development work at the group's wholly owned Zinnwald Lithium Project. The reports used by the Board and Management are based on these geographical segments. Non-core Assets related to the historic Abbeystown Zinc Project, which was sold in April 2023.

	Non-core Assets	Germany	UK	Total
	2023	2023	2023	2023
	€	€	€	€
Administrative expenses	(8,837)	(872,958)	(1,717,060)	(2,598,855)
Share based payment charge	-	-	(528,626)	(528,626)
Project impairment	-	-	-	-
Gain/loss on foreign exchange	-	-	42,240	42,240
Other operating income	-	183,143	-	183,143
Finance income	-	-	282,229	282,229
Interest paid	-	(3,851)	-	(3,851)
Tax	-	(18,785)	-	(18,785)
	<hr/>	<hr/>	<hr/>	<hr/>
Loss from operations per reportable segment	(8,837)	(715,451)	(1,921,217)	(2,642,505)
	<hr/>	<hr/>	<hr/>	<hr/>
Reportable segment assets	-	27,046,520	15,702,205	42,748,725
Reportable segment liabilities	-	2,436,646	463,381	2,900,227
	<hr/>	<hr/>	<hr/>	<hr/>
	Non-core Assets	Germany	UK	Total
	2022	2022	2022	2022
	€	€	€	€
Administrative expenses	(6,308)	(448,366)	(1,364,522)	(1,819,196)
Share based payment charge	-	-	(545,225)	(545,225)
Project impairment	-	-	-	-
Gain/loss on foreign exchange	-	-	(25,679)	(25,679)
Other operating income	-	42,948	-	42,948
Finance income	-	-	190	190
Interest paid	-	(5,254)	-	(5,254)
	<hr/>	<hr/>	<hr/>	<hr/>
Loss from operations per reportable segment	(6,308)	(410,672)	(1,935,236)	(2,352,216)
	<hr/>	<hr/>	<hr/>	<hr/>
Reportable segment assets	8,837	19,225,340	3,719,181	22,953,358
Reportable segment liabilities	-	1,855,795	298,678	2,154,473

5. Operating loss

	2023 €	2022 €
Operating loss for the year is stated after charging / (crediting)		
Exchange (gains)/losses	(42,240)	25,679
Loss on disposal of subsidiary	3,672	-
Amortisation of intangible assets	1,662	995
Depreciation of property, plant and equipment	53,741	49,990
Depreciation of Right of Use Assets	139,154	93,405
Share-based payment expense	528,626	545,225
Operating lease charges	41,105	70,591
Exploration costs expensed	687,224	412,722
	<u>687,224</u>	<u>412,722</u>

6. Auditor's remuneration

	2023 €	2022 €
Fees payables to the company's auditor		
For audit services		
Annual Audit of group, parent company and subsidiary undertakings	41,979	36,523
Review of interim group financial statements	3,274	-
	<u>45,254</u>	<u>36,523</u>
For other services		
Taxation compliance services	5,354	4,527
	<u>5,354</u>	<u>4,527</u>

7. Other operating income

	2023 €	2022 €
Other operating income	183,143	42,948
	<u>183,143</u>	<u>42,948</u>

Other operating income primarily comprises includes rental and utilities income from sub-lessors at the Group's offices in Freiberg.

8. Employees

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

	Group		Company	
	2023 Number	2022 Number	2023 Number	2022 Number
Directors	6	5	6	5
Employees	20	14	1	1
	<u>26</u>	<u>19</u>	<u>7</u>	<u>6</u>

Their aggregate remuneration comprised

	Group		Company	
	2023 €	2022 €	2023 €	2022 €
Wages and salaries	1,621,204	1,300,065	819,393	709,370
Social security costs	200,980	142,586	101,657	86,266
Pension costs	139,841	98,457	64,571	52,067
	<u>1,962,025</u>	<u>1,541,109</u>	<u>985,621</u>	<u>847,703</u>

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Aggregate remuneration expenses of the group include €942,695 (2022: €628,051) of costs capitalised and included within non-current assets of the group.

Aggregate remuneration expenses of the company include €63,543 (2022: €68,535) of costs capitalised and included within non-current assets of the group.

Directors' remuneration is disclosed in report of Remuneration Committee.

9. Finance income

	Group	
	2023	2022
	€	€
Interest income		
Interest on bank deposits	282,229	190

10. Taxation

	Group	
	2023	2022
	€	€
Income Tax Expense		
UK Corporation tax expense – current year	-	-
Overseas current tax expense – current year	18,785	-
Total current tax expense	18,785	-
	€	€
Loss before taxation	(2,642,505)	(2,352,216)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(502,076)	(446,921)
Disallowable expenses	119,407	105,822
Non-taxable gains	-	-
Unutilised tax losses carried forward	394,237	341,099
Difference in overseas tax rate	7,216	-
Taxation (credit) / charge for the year	18,785	-

Losses available to carry forward amount to €7,539,000 (2022: €5,525,000). No deferred tax asset has been recognised on these losses, as the probability and timing of available future taxable profits is not something that can currently be estimated.

Foreign tax liabilities are calculated at the prevailing tax rates applicable in the overseas tax jurisdictions, being Germany.

11. Earnings per share

	2023	2022
	€	€
Weighted average number of ordinary shares for basic earnings per share	430,096,224	293,395,464
Effect of dilutive potential ordinary shares		
- Weighted average number of outstanding share options	6,106,301	5,695,342
Weighted average number of ordinary shares for diluted earnings per share	436,202,525	299,090,806

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Earnings		
Continuing operations		
Loss for the period for continuing operations	(2,642,505)	(2,352,216)
Earnings for basic and diluted earnings per share distributable to equity shareholders of the company	(2,642,505)	(2,352,216)
Earnings per share for continuing operations		
Basic and diluted earnings per share		
Basic earnings per share - cents	(0.61)	(0.80)

There is no difference between the basic and diluted earnings per share for the period ended 31 December 2023 or 2022 as the effect of the exercise of options would be anti-dilutive.

12. Intangible Assets

Group	Germany	Ireland	Total
	€	€	€
Cost			
At 1 January 2022	16,165,915	2,059,272	18,225,187
Additions – group funded	2,802,075	-	2,802,075
At 31 December 2022	18,967,989	2,059,272	21,027,261
Additions – group funded	8,687,649	-	8,687,649
Disposals	-	(2,059,272)	(2,059,272)
At 31 December 2023	27,655,638	-	27,655,638
Amortisation and impairment			
At 1 January 2022	829	2,059,272	2,060,101
Amortisation charged for the year	995	-	995
At 31 December 2022	1,824	2,059,272	2,061,096
Amortisation charged for the year	1,662	-	1,662
Disposals	-	(2,059,272)	(2,059,272)
At 31 December 2023	3,486	-	3,486
Carrying amount			
At 31 December 2023	27,652,152	-	27,652,152
At 31 December 2022	18,966,165	-	18,966,165

Intangible assets comprise capitalised exploration and evaluation costs (direct costs, licence fees and fixed salary / consultant costs) of the Zinnwald Lithium project in Germany, as well as the fully impaired Ireland Zinc Project that was sold in April 2023.

The Company has had no directly owned intangible assets since 2020.

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13. Property plant and equipment

Group	Leasehold, land and buildings €	Fixtures, fittings and equipment €	Motor vehicles €	Total €
Cost				
At 1 January 2023	40,990	277,196	66,593	384,779
Additions – group funded	30,000	82,964	-	112,964
Exchange adjustments	-	103	-	103
At 31 December 2023	<u>70,990</u>	<u>360,263</u>	<u>66,593</u>	<u>497,846</u>
Depreciation and impairment				
At 1 January 2023	-	39,638	17,614	57,252
Depreciation charged for the year	-	40,555	13,286	53,741
Exchange adjustments	-	65	-	65
At 31 December 2023	<u>-</u>	<u>80,158</u>	<u>30,900</u>	<u>111,058</u>
Carrying amount				
At 31 December 2023	<u>70,990</u>	<u>280,105</u>	<u>35,693</u>	<u>386,788</u>
At 31 December 2022	<u>40,990</u>	<u>237,559</u>	<u>48,979</u>	<u>327,528</u>

Company	Computers €
Cost	
At 1 January 2023	5,082
Additions – group funded	1,654
Exchange adjustments	103
At 31 December 2023	<u>6,839</u>
Depreciation and impairment	
At 1 January 2023	2,515
Depreciation charged for the year	1,566
Exchange adjustments	65
At 31 December 2023	<u>4,146</u>
Carrying amount	
At 31 December 2023	<u>2,693</u>
At 31 December 2022	<u>2,568</u>

14. Right of Use Assets and Lease Liabilities

In May 2022, Zinnwald 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 year are shown as follows:

	€
Right of use asset	
Initial Recognition on 1 May 2022	278,690
Depreciation charged in 2022	(93,405)
	<hr/>
Balance as at 31 December 2022	185,285
Depreciation charged in 2023	(139,154)
	<hr/>
Balance as at 31 December 2023	46,131
	<hr/>
Lease Liability	
Initial Recognition on 1 May 2022	266,690
Interest charged in 2022	5,254
Lease payments in 2022	(84,000)
	<hr/>
Balance as at 31 December 2022	187,944
Interest charged in 2023	3,851
Lease payments in 2023	(144,000)
	<hr/>
Balance as at 31 December 2023	47,795
	<hr/>
- <i>Recognised in Short Term Payables</i>	47,795
- <i>Recognised in Payables >1 year</i>	-

15. Investments

Company	2023	2022
	€	€
Investments in subsidiaries	14,523,374	14,523,375
	<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
Cost	
At 1 January 2023	14,523,375
Disposals	(1)
At 31 December 2023	14,523,374
	<hr/>
Carrying amount	
At 31 December 2023	14,523,374
At 31 December 2022	14,523,375
	<hr/>

The disposal in 2023 relates to the sale of the €1 share capital of Erris Zinc Ltd to Ocean Capital Partners in June 2023.

16. 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.

17. Financial Instruments

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Financial instruments at amortised cost				
Trade and other receivables	221,114	248,692	15,052,474	5,171,885
Cash and bank balances	14,306,191	3,164,585	13,724,866	2,748,145
	<u>14,527,305</u>	<u>3,413,277</u>	<u>28,777,340</u>	<u>7,920,030</u>
Financial liabilities at amortised cost				
Trade and other payables	1,469,564	583,661	236,118	110,754
	<u>1,469,564</u>	<u>583,661</u>	<u>236,188</u>	<u>110,754</u>

18. Trade and other receivables

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Amounts falling due within one year:				
Amounts owed by group undertakings	-	-	15,031,910	5,157,859
Trade receivables	4,418	-	-	-
Other receivables	216,696	248,692	20,566	14,026
Prepayments and accrued income	136,349	61,103	122,622	32,133
	<u>357,463</u>	<u>309,795</u>	<u>15,175,098</u>	<u>5,204,018</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	
	2023	2022	2023	2022
Euros	210,328	256,008	575,045	271,911
British Pounds	147,135	53,787	14,600,052	4,932,107
	<u>357,463</u>	<u>309,795</u>	<u>15,175,097</u>	<u>5,204,018</u>

19. Trade and other payables

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Amounts falling due within one year:				
Trade payables	234,817	321,277	94,945	10,468
Other taxation and social security	54,082	34,974	35,022	34,974
Other payables	30,892	13,082	275	-
Accruals and deferred income	1,149,773	214,327	105,876	65,313
	<u>1,469,564</u>	<u>583,660</u>	<u>236,118</u>	<u>110,755</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:

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	Group		Company	
	2023	2022	2023	2022
Euros	1,144,295	459,637	64	-
British Pounds	325,268	124,023	236,055	110,755
	<u>1,469,563</u>	<u>583,660</u>	<u>236,118</u>	<u>110,755</u>

20. Deferred taxation

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

Group	Liabilities 2023 €	Liabilities 2022 €
Zinnwald 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 Zinnwald Lithium GmbH.

21. Retirement benefit schemes

Defined contribution scheme	2023 €	2022 €
Charge to profit or loss in respect of defined contribution schemes	<u>64,571</u>	<u>52,067</u>

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.

22. 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 additional 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 2023		Year ended 31 December 2022	
	Average exercise price in £ per share	Number of Options	Average exercise price in £ per share	Number of Options
At beginning of year	£0.1748	4,200,000	£0.0920	1,900,000
Granted during the year	£0.1041	2,450,000	£0.1810	4,000,000
Lapsed during the year	-	-	£0.0965	(1,700,000)
Exercised during the year	-	-	-	-
At end of year	£0.1487	<u>6,650,000</u>	£0.1748	<u>4,200,000</u>
Exercisable at the year end		<u>3,683,333</u>		<u>1,533,333</u>
Weighted average remaining exercise period, years		3.44		3.99

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Option classification

	Issue Date	No of Options	Exercise Price	Expiry Date
	29 October 2020	200,000	£0.0500	28 October 2025
	15 January 2022	4,000,000	£0.1810	15 January 2027
	23 March 2023	2,450,000	£0.1041	23 March 2028
		6,650,000	£0.1487	
		6,650,000	£0.1487	

RSU Scheme (2020)

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

	Year ended 31 December 2023		Year ended 31 December 2022	
	Ave Exercise Price	Options	Ave Exercise Price	Options
Beginning of Period	n/a	1,909,531	-	-
Granted	n/a	3,406,779	n/a	1,909,531
Lapsed	-	-	-	-
Exercised	-	-	-	-
At end of period	n/a	5,316,310	n/a	1,909,531
Weighted Ave remaining yrs		0.80		1.50

RSU Classification

Issue Date	No of RSUs	Vesting date
15 January 2022	1,909,531	16 January 2024
23 March 2023	3,406,779	23 March 2025

PSU Scheme (2020)

The first awards of PSUs under the new scheme were made on 15 January 2024, based on the initial performance period from 1 October 2020 to 31 December 2023. A total of 4,500,000 PSUs were issued, which will be included on the register for inclusion in the 2024 accounts.

23. Share based payment transactions

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Expenses recognised in the year				
Options issued under the Share Option Plan (2017)	174,633	347,400	174,633	347,400
RSUs issued under the RSU Scheme (2020)	353,993	197,825	353,993	197,825
	528,626	545,225	528,626	545,225
	528,626	545,225	528,626	545,225

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

24. Share Capital

	Group and Company	
	2023	2022
	€	€
Ordinary share capital		
Issued and fully paid		
473,524,624 ordinary shares of 1p each	5,365,379	3,316,248
	5,365,379	3,316,248
	5,365,379	3,316,248

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
	€	€
Ordinary shares of 1p each		
At 1 January 2023	293,395,464	3,316,248
Issue of fully paid shares (cash subscription)	180,129,160	2,049,131
	<u>473,524,624</u>	<u>5,365,379</u>
At 31 December 2023	<u>473,524,624</u>	<u>5,365,379</u>

25. Share Premium account

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
At beginning of year	20,289,487	20,289,487	20,289,487	20,289,487
Issue of new shares	19,282,326	-	19,282,326	-
Exercise of share options	-	-	-	-
Share issue expenses	(168,003)	-	(168,003)	-
	<u>39,403,810</u>	<u>20,289,487</u>	<u>39,403,810</u>	<u>20,289,487</u>

26. Other reserves

	Merger reserve	Share based payment reserve	Translation reserve	Total
Group	€	€	€	€
At 1 January 2022	688,731	133,849	200	822,780
Additions	-	545,225	(138)	545,087
	<u>688,731</u>	<u>679,074</u>	<u>62</u>	<u>1,367,867</u>
At 31 December 2022	688,731	679,074	62	1,367,867
Additions	-	528,626	38	528,664
	<u>688,731</u>	<u>1,207,700</u>	<u>100</u>	<u>1,896,531</u>
At 31 December 2023	<u>688,731</u>	<u>1,207,700</u>	<u>100</u>	<u>1,896,531</u>
	Share based payment reserve		Translation reserve	Total
Company	€		€	€
At 1 January 2022	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	679,074		62	679,136
Additions	528,626		38	528,664
	<u>1,207,700</u>		<u>100</u>	<u>1,207,800</u>
At 31 December 2023	<u>1,207,700</u>		<u>100</u>	<u>1,207,800</u>

27. Retained earnings

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
At the beginning of the year	(4,174,717)	(1,822,501)	(1,917,521)	(251,044)
Loss for the year	(2,642,505)	(2,352,216)	(869,556)	(1,666,477)
	<u>(6,817,222)</u>	<u>(4,174,717)</u>	<u>(2,787,077)</u>	<u>(1,917,521)</u>
At the end of the year	<u>(6,817,222)</u>	<u>(4,174,717)</u>	<u>(2,787,077)</u>	<u>(1,917,521)</u>

28. 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 Zinnwald Lithium GmbH ("ZLG") and earned in relation to the sale of lithium products or minerals by ZLG's projects on the Zinnwald and Falkenhain licence areas. The royalty fee shall be paid in Euros and paid by ZLG 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 ZLG's projects at the Zinnwald and Falkenhain licence areas. The company has undertaken to Bacanora to abide by certain obligations in relation to ZLG'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 Zinnwald 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 ZLG's production and does not apply to the additional 50% of ZLG acquired by the Company in June 2021. The Directors also note that the Royalty obligation remains due to Bacanora, which now a wholly owned subsidiary of Ganfeng Lithium Limited.

Osisko Royalty Agreements

As part of the sale of Erris Zinc Ltd to Ocean Capital Partners on 13 June 2023, the historic royalty due by the group to Osisko Gold Royalties was novated to Erris Zinc ahead of completion. Accordingly, this historic contingent liability has now been removed from the group. The Osisko royalty did not apply to the Zinnwald Lithium project.

29. Contingent assets

Agreements with Ocean Capital Partners

Under the terms of the sale of Erris Zinc Limited to Ocean Capital Partners on 13 June 2023, the Company was granted a 1% Net Smelter Royalty and a €200,000 cash payment due six months after the start of commercial production. As agreed in the Sale and Purchase Agreement, the company also has the right to buy Erris Zinc Ltd back for €1 if the additional exploration spend of €100,000 over 2024 to 2025 is not made by March 2025. Whilst the Directors acknowledge these contingent assets, at this stage, it is not considered that the outcome can be considered certain to be recognised and receivable and hence no asset has been recognised in the financial statements.

30. Events after the reporting date

On 15 January 2024, the Company made a grant of a total of 4,228,475 RSUs and 4,350,000 Options under the Company's Long-Term Incentive Plans relating to performance in 2023, and a total of 4,500,000 PSUs relating to performance from 1 October 2020 to 31 December 2023. The RSUs and PSUs were issued to Executive Management under the relevant schemes approved by shareholders in October 2020. The Options were primarily issued to Employees and Consultants under the terms of the Option Scheme approved by shareholders in 2017.

On 15 January 2024, the first tranche of 1,909,531 RSUs originally issued in January 2022 reached their vesting date, and in accordance with the rules of the scheme, vested at a price of 7.11p being the 20 Day VWAP price at close on 12 January 2024. At its discretion, the Board has elected to pay the net amount due after tax under these awards in shares rather than cash. Accordingly, 1,012,051 new ordinary shares were issued to recipients and following admission of these new shares to AIM, the Company now has 474,536,675 ordinary shares in issue.

On 21 February 2024, the Company published the results of its updated independent Mineral Resource Estimate ("MRE") for the Zinnwald lithium project. This updated MRE showed a 445 % increase in tonnes and a 243% increase in contained lithium ("Li") to 429kt in the Measured and Indicated category versus the previous 2018 MRE. This establishes the Project as the second largest hard rock lithium project in the EU. The updated MRE includes 11.3 Mt grading 3,420ppm Li (0.736% Li₂O) in the Measured category, 193.5 Mt grading 2,220ppm Li (0.478% Li₂O) in the Measured and Indicated category, and 33.3 Mt grading 2,140 ppm Li (0.461% Li₂O) in the Inferred category. The increase in overall tonnage is predominantly due to the incorporation of a broad zone of mineralised granite, as well as contribution of an extra 26,911 metres of new drilling over 84 holes. This updated MRE has been prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators ("NI 43-101") by independent consulting firm Snowden Optiro Ltd ("Datamine International") of Bristol, United Kingdom.

31. Related party transactions

No consultancy fees or expenses were incurred with Related Parties in either 2023 or 2022.

As part of the March 2023 fund raise, Henry Maxey, a substantial shareholder in the Company, entered into a subscription agreement ("subscription agreement) with the Company to subscribe for 26,337,585 new ordinary Shares at the Placing Price of 10.41p for a value of approximately £2.7 million. As part of this subscription agreement, Mr Maxey was granted a pre-emptive right to maintain his shareholding in any future fund raises.

Anton du Plessis and Cherif Rifaat, directors of the Company, subscribed for 720,000 and 675,000 new ordinary shares at the Placing Price of 10.41p and on the same terms as other subscribers in the placing.

32. Cash (used in)/generated from group operations

	2023	2022
	€	€
Loss for the year after tax	(2,642,505)	(2,352,216)
Adjustments for:		
Investment income	(282,229)	(190)
Lease interest	3,851	5,254
Gain on disposal of equipment	-	(4,288)
Depreciation of property, plant and equipment	53,741	49,990
Depreciation of Right of Use Assets	139,154	93,405
Amortisation of intangible assets	1,662	995
Loss on disposal of subsidiary	3,672	-
Equity-settled share-based payment expense	528,626	545,225
Movements in working capital:		
(Increase) in trade and other receivables	(52,089)	(187,950)
Increase / (decrease) in trade and other payables	886,653	(55,000)
	<u>(1,359,464)</u>	<u>(1,904,775)</u>
Cash used in operations	<u>(1,359,464)</u>	<u>(1,904,775)</u>

33. Cash (used in)/generated from operations – company

	2023	2022
	€	€
Loss for the year after tax	(869,556)	(1,666,477)
Adjustments for:		
Investment income	(282,229)	(191)
Group loan interest	(708,861)	-
Depreciation and impairment of property, plant and equipment	1,566	1,291
Loss on disposal of subsidiary	1	-
Equity-settled share-based payment expense	528,626	545,225
Movements in working capital:		
(Increase) / decrease in trade and other receivables	(97,029)	7,787
Increase / (decrease) in trade and other payables	125,364	(159,675)
	<u>(1,302,118)</u>	<u>(1,272,040)</u>
Cash used in operations	<u>(1,302,118)</u>	<u>(1,272,040)</u>