

ZINNWALD LITHIUM PLC

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 30 JUNE 2023

ZINNWALD LITHIUM PLC
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Chairman's Statement

As a key transition metal required to deliver on net zero commitments, it is widely recognised that lithium production needs to increase significantly and that supply chains must be brought closer to their end markets. This is particularly relevant in the EU, which has already both relaxed State Aid rules for energy transition materials and proposed the new Critical Raw Materials Act ("CRMA"), which includes targets for domestic capacities for extraction and processing of at least 10% and 40% respectively. New UK/EU Rules of Origin are also being phased in from 2024 that will see tariffs of up to 10% being applied to manufacturers that fail to demonstrate that 50-60% of battery materials originate from the EU.

Against this background, Zinnwald Lithium's integrated lithium hydroxide ("LiOH") project (the "Project"), located central to Germany's automotive and chemical industries, is positioned to be a key supplier of lithium to the European battery industry.

As the macro environment moves in Zinnwald's favour, it is imperative that at a micro-level we fully capitalise on the opportunities opening up for us and position ourselves to do so. Accordingly, in March this year we secured £18.75 million via a fundraise at a 26% premium to the closing share price on the date of the fundraise announcement and welcomed global critical materials company AMG Critical Materials N.V ("AMG") as a cornerstone investor. Shortly thereafter we welcomed AMG Lithium GmbH's Chief Executive Officer, Dr. Stefan Scherer, to Zinnwald's Board.

With funds in place, we have been able to accelerate our efforts to advance the Project towards completing a bankable feasibility study ("BFS") by early in the first half of 2024. Since completing the fundraise, we have significantly increased our drilling activity, utilising up to six drill rigs and completing 45 drill holes totalling 14,800 metres since the beginning of April to the date of this report. The total number of metres drilled since the beginning of the in-fill drill campaign now stands at 25,300m over 77 holes.

The aim of the drilling programme is to increase drillhole and data density in parts of the deposit to further optimise the geological model to support BFS level mine planning, metallurgical and geotechnical engineering workstreams. In addition, it will generate further geological and geometallurgical data to support potential inclusion of the mineralised Albite Granite ("Greisenised Granite" or "Type 2") lithology to upgrade the existing Mineral Resource Estimate ("MRE") as the lithium demand and price have radically increased since the last MRE was conducted. The Albite Granite contains disseminated zinnwaldite mineralisation that can be laterally and vertically extensive, reaching up to 80m (vertical) thickness in places.

Thus far, intersections in Albite Granite lithology continue to yield consistent and extensive mineralised intervals supporting the Company's strategy of planning for high productivity mining methods and higher lithium output. We anticipate completing the drill campaign at the core Zinnwald license area within the coming weeks, and, once all assays are received and reviewed, publishing the new MRE in Q4 2023.

Alongside the drill campaign, we are undertaking extensive testwork with regard to the process flow sheet. A representative bulk sample of "new ore feed" has been sent for confirmatory metallurgical testwork and piloting to Metso in Finland. A pilot test trial will be conducted in late summer / early autumn 2023 to affirm insights from bench scale testing and provide further input for the upcoming engineering processes.

While the priority for the Company remains advancing the core Zinnwald Project, it does control an extensive license area adjacent to the core Zinnwald Mining License. Work done on the Falkenhain license areas continues to confirm the prospectivity of this area which could support further scale and upside for the Project going forward. In addition, during July the Company was granted the Bärenstein exploration license area, which lies adjacent to and directly to the north-east of the Company's Altenberg-DL licence and almost completely encloses the Falkenhain license. Following further exploration work on these license areas, there is the potential to increase the resource base and lifetime of the planned mine and mineral processing facilities related to the Project. Furthermore, the Company continues to investigate the broader Bärenstein area as a location for future mining and processing operations. To hold the mineral rights for these areas has therefore been a priority to maintain planning flexibility as well as legal certainty.

In terms of the lithium market, news headlines in the half of 2023 saw much commentary around the significant decline in the spot market price for lithium products into China from peaks of circa \$80,000 per tonne at the end of 2022 to a low of just over \$30,000 per tonne in April 2023 with a recovery to circa \$40,000 in August. It should be emphasised that the spot market in general is a small portion of the overall global market, and this specific index is often more volatile in relation to what is happening elsewhere. Indeed, in August 2023, SQM (the world's largest supplier of battery grade lithium products) reported its H1 2023 results that showed an average price of circa \$41,000 per tonne. SQM specifically noted that they see a "positive dynamic in lithium market supported by strong EV sales volumes in different markets and expect the global lithium demand growth to reach at least 20% this year. " Other major producers, such as Albermarle and Livent, have forecast improving prices for the second half of 2023 as destocking comes to an end and the structural undersupply issues continue.

ZINNWALD LITHIUM PLC
CHAIRMAN'S STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023

It is important to note that Zinnwald used a long-term price of \$22,500 per tonne in its Preliminary Economic Assessment ("PEA"), which the Company continues to believe is a sensible, conservative long-term price for the Project.

In terms of financial markets, share prices of junior mining companies have been under considerable pressure in recent months, as investors have grappled with risks of significant inflationary pressures, and an economic downturn exacerbated by the continuing conflict in Ukraine and the resulting energy crisis. As such, we are fortunate to have put the Company on a sound financial footing with the fundraise in March, and to be able to move forward rapidly with the next phase of the Project development. We are confident that the inherent strengths of our Project will, ultimately, be reflected in our market value as we continue to deliver against our plan.

Financials

The Company continues to maintain its extremely disciplined approach to expenditure and cash management and as such is well funded through completion of the BFS and into the follow-on detailed engineering work in 2024, with cash of €18.9m as at the date of this report.

Outlook

Looking ahead, we have an extremely active work schedule. The Company's near-term priorities are the completion of the in-fill and hydrogeological drill campaigns at the Zinnwald Project, detailed mine planning and testwork programmes related to mineral and chemical processing.

The PEA demonstrated a robust project with very attractive economics and the team is working hard to advance this to the next stages of an updated MRE in 2023 and on to the BFS in early 2024. The additional work completed supports the potential to increase the scale of the Project and is being explored further as part of the next phase.

We look forward to updating the market on progress on all of these fronts as we continue our various work programmes.



Jeremy Martin
Non-Executive Chairman

1. Highlights

Six months to 30 June 2023

- Fundraise of £18.75m completed in March 2023 cornerstoned by AMG Critical Minerals N.V.
- 44 drill holes completed over 14,000 metres in the period
- Intersections into the Albite Granites yielding consistent and extensive mineralised intervals
- Representative bulk sample sent to Metso and UVR-FIA for pilot scale testwork
- Completion of sale of Erris Zinc Ltd to Ocean Partners

Post period end to 23 August 2023

- Further 17 drill holes completed over 5,800 metres bringing the total to 25,300 metres over 77 holes
- Granting of the Bärenstein exploration license

2. Operational Review

The first half of 2023 saw Zinnwald Lithium Plc (the "Company") and its wholly owned subsidiary, Zinnwald Lithium GmbH ("ZL GmbH" and together the "Group") accelerate its development strategy for its integrated Zinnwald Lithium Project (the "Project"). During the six months to 30 June, the Company's priorities were the in-fill drill campaigns at the Zinnwald Project as well as detailed mine planning and testwork programmes related to mineral and chemical processing.

2.1. Six months to 30 June 2023

Fund Raise

On 29 March 2023, the Company 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 Company to accelerate its various workstreams and will finance it beyond completion of the BFS. As part of the investment from AMG, the Company has welcomed Dr Stefan Scherer to the Board.

The fundraise included an offering via PrimaryBid, which reflects the Company's ongoing commitment to enabling its retail shareholders to participate. The Board appreciates that this process can inherently only be done at very short notice and with a small window of opportunity to act and will continue to explore any alternate avenues that might enable a wider participation.

Infill 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. During the six months to 30 June, it completed 14,100m of diamond core drilling across 44 drill holes. This brought the total metres drilled to 19,500 metres across 60 drill holes at the Zinnwald Mining license during this drill campaign. Since the end of the reporting period, an additional 5,800 metres across 17 holes of drilling have been completed.

The objectives of the programme are to:

- Increase drillhole and data density in parts of the deposit to further optimise the geological model to support BFS level mine planning, metallurgical and geotechnical engineering workstreams;
- Generate additional geological and geometallurgical data to support inclusion of the mineralised Albite Granite (Type 2) lithology in order to upgrade the existing Mineral Resource Estimate ("MRE");
- Improve resolution of the extents of the Type 1 (high grade Greisen mineralisation); and
- Improve confidence in available existing historical drillhole data.

Following completion of the drilling programme, anticipated during Q3 2023, the results will be used to update the geological and mineralisation models with the objective of producing an updated MRE later in 2023. SRK Consulting (UK) ("SRK") has been commissioned to complete the MRE.

The Albite Granite (previously called the "Greisenised Granite" or "Type 2") is recognised as a mineralised alteration halo surrounding the higher-grade Greisen type mineralisation ("Type 1"). Here the Albite Granite contains disseminated zinnwaldite mineralisation that can be laterally and vertically extensive, reaching up to 80m (vertical) thickness in places. In the 2019 NI43-101 Technical report, the potential in-situ mineral inventory of Albite Granite was estimated at 214 Mt at a Li grade of 0.37 % Li₂O (1,700 ppm Li). One of the objectives of the ongoing drilling programme is to better delineate and quantify this style of mineralisation for possible inclusion in the updated MRE.

The Company anticipates that the inclusion of Albite Granite mineralisation will increase the Zinnwald Lithium Project's Mineral Resource base. This will also serve to better align the Project's metrics with other known zinnwaldite deposits as well as strengthen the Company's operational and production capacity. Here, the inclusion of the Albite granite will also allow consideration of higher productivity mining methods, such as AVOCA or Sublevel Stopping that will drive productivity and simplify operational planning.

Key insights from results of the current drill programme are (see relevant graphics included at the end of this release):

- The Greisens, which host the strongest levels of Li mineralisation, trend along a North West-South East axis across the granite cupola (see overview map and sections in appendix).
- There are further opportunities for expansion to the west, south towards the national boundary, and in particular to the South East where high-grade mineralisation remains open.
- Intersections in Albite Granite lithology continue to yield consistent and extensive mineralised intervals including up to 92.3 m with average grade of 0.48 % Li₂O in (ZGLi-045), supporting the Company's strategy of planning for high productivity mining methods.
- Shorter drill spacing in the deposit will be used to provide the Company with a sufficient information basis to support detailed mine planning, geotechnical and hydrogeological work in the upcoming phase.
- The Company has a robust working model for the deposit, demonstrated by new logging and assay results from the ongoing drilling programme, which are consistent with the geometries of the mineralisation and expected grades.

Significant drill intersections and assay results from the current drilling campaign include:

- **ZGLi 045/2023:**
 - 158 m (156.0 m – 314.0 m) at average grade 0.56 % Li₂O (383.7 ppm Sn)
 - Within this lies a high-grade interval of 65.7 m (156.0 m – 221.7 m) with an average Li grade 0.68 % Li₂O (517.9 ppm Sn)
- **ZGLi 036/2022** in the north of the deposit:
 - 81.7 m (158.7 m - 240.4 m) at average grade 0.46 % Li₂O (76.9 ppm Sn)
- **ZGLi 031/2022** in the central part of the deposit:
 - High-grade interval of 12.9 m (79.9 m – 92.8 m) with an average Li grade 0.70 % Li₂O (963.9 ppm Sn)
 - 81.1 m (129.9 m – 211.0 m) at average grade 0.55 % Li₂O (205.4 ppm Sn)
- **ZGLi 042/2023:**
 - High-grade interval of 24.6 m (85.4 m to 110.0 m) with an average Li grade 0.78 % Li₂O (1,463.7 ppm Sn)
 - 66.4 m (188.5 m to 254.9 m) at average grade 0.42 % Li₂O (246.8 ppm Sn)

The results of the infill drilling campaign continue to validate and support the geological model in line with the Company's expectations.

Other critical work areas that the Company is focusing on including the hydrogeological testing and modelling, which represents an essential piece of work for both technical planning as well as EIA permitting requirements. It is planned to conduct further geotechnical and hydrogeological drill holes later in the year. The Company is supported by a group of consultants in this effort, including SRK, Geologische Landesuntersuchung Freiberg GmbH ("GLU"), Fugro, and CSA Global.

To fully understand the impact of a new mineral resource, which would potentially comprise new ore feed characteristics, sampling from larger diameter drill core has been completed across the deposit, supported by SRK, with the aim to produce a representative bulk sample for confirmatory metallurgical testing. This sample was taken in Q1 of this year and is currently being used for test work by Metso in Finland (see Metallurgical Process Development section below).

Mine Planning Activities

The drill programme has enabled further optimisation of the geological model and understanding of zinnwaldite/grade distribution throughout the deposit, and this enabled the Company and SRK to update and revise the mine design. 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.

Metallurgical Process Development / Testwork

Working with several partners including Metso (formerly Metso:Outotec) and UVR FIA, the Company is focused on confirming and optimising the existing mineral processing flowsheet. Metso has been supplied with a representative two-ton bulk sample of drill core to undertake confirmatory bench and pilot scale mineral processing testwork. The primary goal of this work is to confirm previous testwork results on a feed material that now also includes the lithium bearing Albite Granite lithology and therefore may differ from the process as described in the PEA. The bench scale results will also deliver additional engineering parameters that will feed into downstream engineering processes.

Mineral processing tests at UVR FIA GmbH in Freiberg earlier this year investigated the efficacy of magnetic separation methods specifically on the Albite Granite lithology, which have yielded further encouraging results and will be taken into account in on-going bench-scale testing at Metso. The target is now to optimise method parameters further in the application of magnetic separation as well as potential down-stream froth flotation stages in a scavenger circuit arrangement.

Ultimately, a pilot test trial will be conducted in late summer / early autumn 2023 to affirm insights from bench scale testing and provide further input for the upcoming engineering processes. Mineral concentrate from this pilot test will be used to validate existing process assumptions and engineering for pyro- and hydro-metallurgical processing at Metso's test centres in the USA and Finland.

Exploration Licenses – Falkenhain, Altenberg, Sadisdorf

In the time since the last operational update, the Company has been focussing its efforts on the development the core Zinnwald Project. However, additional work has been undertaken over the Company's other exploration licenses including:

- Completion of drill hole LiSH-001 at Falkenhain on the Schenkenshöhe with results announced to the market on the 30th January 2023 and key highlight intercept including:
 - 80 m (114m - 194m) with average 0.62 % Li₂O; 492 ppm Sn and 271 ppm W
 - Including 51 m (140.0m – 191.0m) at average 0.73 % Li₂O; 519ppm Sn and 361 ppm W
 - 10m (334.0m – 344.0m) with average 0.69 % Li₂O; > 1,924 ppm Sn and 83 ppm W
- Re-assay of available historic core from Falkenhain has been carried out to guide further exploration works. This effort yielded highly promising results at the historic hole "SnFhiDi-045", drilled on the "Schenkenshöhe" part of the Falkenhain license by the GDR state in 1973 whilst exploring for tin resources in the area. The core material for this hole is available to the Company and has been re-logged, re-sampled and re-assayed. Whilst the Company recognises the indicative character of results originating from a historic drill hole, it considers these as very valuable in directing further exploration efforts at the Falkenhain license.

The assay results from the c. 600 m deep hole include the following drill intercepts:

- 174.5-187.0 m (12.5 m) average 0.53 % Li₂O (824.3 ppm Sn)
- 216.5-346.6 m (119.1 m) average 0.98% Li₂O (484.3 ppm Sn)
- Planning of further exploration and drilling stages at Falkenhain, Altenberg and Sadisdorf licenses will be undertaken in the upcoming phase of project development.

Infrastructure

In collaboration with the owner of the historic Zinnerz Altenberg mine, the LMBV, the Company has undertaken the digitisation of historic mine plans of the Zinnerz mine in Altenberg. The digital plans now cover more than three production and mine infrastructure levels of the historic mine that operated at commercial scale in Altenberg as "VEB Zinnerz Altenberg" for 40 years, but with mining activities dating back to medieval times. These digital plans 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 will 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 (including via the "De-Watering Tunnel" as mentioned in previous announcements).

Further updates with regards to Infrastructure and Tailings Management Planning:

- On-going evaluation for tailings management are supported by Knight Piesold (UK), which specialise in tailings management & 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.
- DSF tailings are becoming industry standard for new projects and present multiple advantages including:
 - Increased capacity compared with volume / storage capacity of conventional wet tailings facilities;
 - Limited long-term risk of dam failure and liquefaction as designed to be self-supporting;

- No or limited requirement for embankment or retention structures;
- Re-naturation / rehabilitation can be completed in step with stack construction; and
- Option to re-claim materials from stack, presenting opportunities for materials re-utilisation in the future, in line with UN Sustainable Development Goals.

Sustainability / ESG Matters

Zinnwald continues to comply with the QCA corporate governance code and its guidance on sustainability matters. The Company views sustainability as a guiding principle of its development strategy and is dedicated to delivering on the commitments to its shareholders, future investors, clients, employees, local communities, and other stakeholders with this in mind. It believes that transparency and ethical behaviour are central to any successful group and undertakes all development with respect to the environment and neighbouring communities.

Environmental

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 since September 2022 and this will cover a minimum 12-month (all four seasons) timeframe.

The Company formally submitted its Scoping Document to the Mining Authority on the 21st of April, which started the formal permitting process for the construction and operation in Germany. The Mining Authority is expected to arrange a Scoping Meeting with Stakeholder Authorities later in summer, which will serve as a platform to clarify the Project and get first feedback from Stakeholder Authorities on all aspects of the planned Project, which can be considered and taken forward in subsequent formal application stages.

As previously announced, the Company is pursuing a Mandatory Framework Operating Permit (“MFOP”) to cover all operations. It has been agreed that the Saxony Mining Authority will be the determining body for the overall permitting pathway for the processes permitted under the Mining Act. This also provides clarity for participating stakeholder authorities and legal certainty for the Project in the future.

The Projects’ permitting is supported by GLU, which has extensive experience of mine and resource project permitting in the region. The Company intends to maintain international best practice in the permitting by keeping a transparent approach to project development and stakeholder engagement.

Social

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 is also working to expand its long-term operational owners’ team in Germany. In total, the Project team now consists of eight geologists that are working at the Project site, as well as the Freiberg core-logging and sample preparation facilities. In total, the Project team includes 23 professionals working across disciplines in both Freiberg and London office locations.

Engagement with the local community of Zinnwald has always been a high priority to the Company, especially given the increased number of drill rigs in the town and its surroundings. In May, 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.

Governance

The Company is working 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 Company to better tailor its operational policies, activities and reporting to the risks identified.

The Board has decided to formally rebrand the entire Group under the “Zinnwald Lithium” banner and completed this name change process in Germany in July. This reflects the close ties that the Group and the Project has to the local town and community and indeed to the very name of the mineral (Zinnwaldite) we will be processing. The Group will retain the trademark to “Deutsche Lithium” and will use it as the branding for the ultimate end product.

As part of this rebranding, the Group will be relaunching its website later in the year to better support the Group's three core audiences – investors, local stakeholders, and the ultimate end users.

Ireland

In order to focus its efforts on the Zinnwald Project, in March 2023, Zinnwald signed a Heads of Terms 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.

2.2. Post Balance Sheet events to 23 August 2023

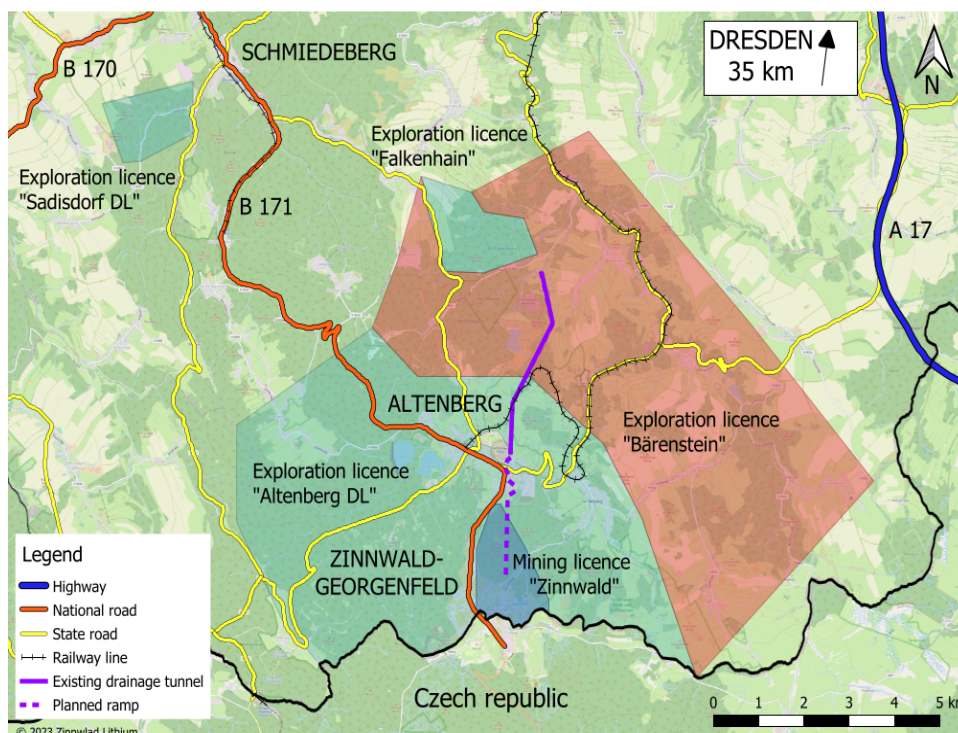
In-fill drilling at Zinnwald Lithium Deposit close to completion

As at 23 August 2023, the Company has almost completed its in-fill drilling programme at the Zinnwald License and has drilled a further 17 holes over 5,800 metres since the end of June bringing the total campaign to 25,200 metres over 77 holes. The Company expects to complete the final in-fill drill holes over the coming weeks. Core logging, sampling and assaying is expected to be completed in the weeks following completion of drilling, subject to laboratory availability. The results will be incorporated in a revised MRE which is expected to be published in Q4 2023.

Granting of additional Barenstein exploration licence

On 6 July 2023, the Company announced that it had been granted an additional exploration licence (the 'Bärenstein Licence') covering approximately 4,933.9 hectares ('ha') in the Erzgebirge region of Saxony, Germany. The Bärenstein Licence has the potential to provide additional resource upside to the Company's Project and results in continuous licence coverage from the Zinnwald Mining Licence to the Falkenhain Exploration licence, thus complementing the Company's strategy to potentially develop future operations in this area.

The new license area shown in the map below closes the gap between Falkenhain and Altenberg Exploration licences and adds a substantial land area to the mineral exploration titles of the Company in the region that now stands at combined 9,959.6 ha. The greenfield Bärenstein 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.



2.3. Lithium Market in 2023

Headlines in the first few months of 2023 saw much commentary around the significant decline in the spot market price for lithium products into China from peaks of circa \$80,000 per tonne at the end of 2022 to a low of just over \$30,000 per tonne in April 2023 with a recovery to circa \$40,000 in August. It should be emphasised that the spot market in general is a small portion of the overall global market and this specific index is often more volatile in relation to what is happening elsewhere. Indeed, in August 2023, SQM (the world's largest supplier of battery grade lithium products) reported its H1 2023 results that showed an average price of circa \$41,000 per tonne. SQM specifically noted that they see a "positive dynamic in lithium market supported by strong EV sales volumes in different markets and expect the global lithium demand growth to reach at least 20% this year." Other major producers, such as Albermarle and Livent, have forecast improving prices for the second half of 2023 as destocking comes to an end and the structural undersupply issues continue.

It is important to note that Zinnwald used a long-term price of \$22,500 per tonne in its PEA, which the Company continues to believe is a sensible, conservative long-term price for the Project.

In terms of the wider regulatory context for the battery materials market, the impact of the US Inflation Reduction Act ("IRA") continues to reverberate and influence global structures. In March 2023, the EU announced the planned details behind its Critical Raw Materials Act ("CRMA"). These include that lithium is defined as both a "Critical and Strategic" raw material. It proposes benchmarks of 10% of the EU's annual consumption for extraction and 40% for processing – both relevant to Zinnwald. The CRMA plans to simplify permitting procedures for projects in the EU, as well as identifying selected strategic projects to benefit from EU financial support. It should be noted that the CRMA is still to pass through the European Parliament and the EU Council, and these key strategic projects have not yet been identified. The Board believes that the Zinnwald Project should be one of these projects.

One slightly less well publicised event that potentially has a greater and more immediate relevance to Zinnwald is the relaxation of the European State Aid rules. On 9 March 2023, the European Commission adopted the Temporary Crisis and Transition State aid Framework ("TCTF") aimed at boosting and retaining clean tech investments in Europe. The TCTF allows Member States to provide undertakings with significant State aid support in order to develop and boost businesses that will drive the EU's energy transition. These rules apply from the end of 2025 with a further three years from receipt of the aid to deliver the projects.

2.4. Shareholder Evolution

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%.

2.5. Outlook

The Company's near-term priorities are the completion of the in-fill and hydrogeological drill campaigns at the Zinnwald Project, detailed mine planning and test work programmes related to mineral and chemical processing. The satisfactory completion of these items, which are being done in conjunction with external parties, will impact the timing of the BFS. While the objective remains to complete this as soon as possible, the permitting of certain of these activities as well as the limited availability of necessary testing facilities and staffing carries the risk that the timing will move beyond the end of this year. However, the team remains confident that completion of the BFS by early in the first half of 2024 is highly achievable and is working to ensure that the overall timetable of the Project is not unduly impacted.

The PEA demonstrated a robust Project with very attractive economics and the team is working hard to advance this to the next stage. The additional work supports the potential to increase the scale of the Project and is being explored further as part of the next phase.

The Company has now almost completed the infill drilling programme at the core Zinnwald license that commenced in July 2022. This has been an extensive programme which, upon completion, will see a total of more than 26,700 metres drilled across 83 drill holes. The objective of the drill programmes is to better define the Resources and Reserves that lie within the ore body, as well as determine the detailed early years' mining plan.

In addition, the Company will continue to develop the technologies planned for its processes. Individual processing methods and stages are well established in mining and other industries. The Company is working with Metso, a global leader in process engineering, to develop and refine the mineral and chemical processing solution for the Project. A representative bulk ore sample was delivered to Metso in February, and this is being used to thoroughly test the processing steps for the Project. The Company will also continue to refine its plans for reducing its overall CO2 footprint and operating costs, such as via the use of electric mining equipment.

The Company has already commenced its EIA and other permit application process, including baseline studies and other reports. The detailed scoping meeting with permitting authorities will be held in late August 2023.

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

3. Financial Review

Notwithstanding that the Company is a UK plc, admitted to trading on AIM, the Company presents its accounts in its functional currency of Euros, since most of the exploration 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 or disposes of its historic exploration project in Ireland.

During the period, the Group made a loss before taxation of €1.3m compared with a loss of €1.4m for the period ended 30 June 2022. Whilst the overall amounts are relatively similar, the underlying expenditure areas are different. In the six months to 30 June 2023, administrative expenses increased to €1.2m compared with €0.9m in the previous period. This is due to the Group has also increased its overall staffing levels to reflect the increased workstreams to advance the Project. There was also a share-based payment expense of €0.3m in the current period compared with €0.6m for the period ended 30 June 2022, arising from the issuance of new Options and RSUs in March 2023.

The Total Net Assets of the Group increased to €40.9m at 30 June 2023 from €21.7m at 30 June 2022, due to increased capital investment in the Intangible Assets of the Project together with increased cash balances following the fund raise in March 2023. The Company's management team itself secured the majority of the funds raised in March 2023 and consequently only paid €0.2m of commission on the raise, equating to 0.9% of the total funds raised.

The closing cash balance for the Group at the period end was €19.7m which is greater than the €6.1m at the end of the same period in the prior year, due primarily to the funds raised in March 2023, offset by ongoing development and operational expenditure. As at the date of this report, the Group's cash balance is €18.9m.

On behalf of the board



Cherif Rifaat,
CFO and Director

The technical information relating to geology, the drill results summary, mining and processing in this announcement has been extracted from the Company's Operational & Corporate Update which was published on 14 June 2023 and was reviewed on behalf of Zinnwald Lithium by Martin Pittuck CEng, FGS, MIMMM of SRK Consulting. Mr Pittuck is a Corporate Consultant of SRK Consulting Ltd. Mr Pittuck has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he is undertaking to qualify as a Competent Person in accordance with the guidance note for Mining, Oil & Gas Companies issued by the London Stock Exchange in respect of AIM Companies, which outlines standards of disclosure for mineral projects. Mr Pittuck consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

ZINNWALD LITHIUM PLC
DIRECTORS' REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2023

The directors present their report and financial statements for the six months ended 30 June 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 period are set out on page 12.

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

Directors and Directors' Interests

On 25 April 2023, Dr Stefan Scherer was appointed to the Board in accordance with the Relationship Agreement signed with AMG Critical Materials N.V. There were no other changes to the directors who held office in the period or to their interests as disclosed in the 2022 Annual Report.

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 23 August 2023:

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 Ltd	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.

Working capital and liquidity risk, Foreign Currency Risk, Credit and Interest Rate Risk

There have been no changes to the risks or mitigating steps as noted in the 2021 Annual Report.

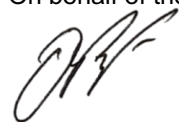
Streamlined Energy and Carbon Reporting

As per the Streamlined Energy and Carbon Reporting ("SECR") Regulations published in 2018 quoted companies and large unquoted companies that have consumed more than 40,000 kilowatt-hours (kWh) of energy in the reporting period must include energy and carbon information within their directors' report. Zinnwald Lithium Plc and the Group do not qualify as a quoted company or a large unquoted company and therefore are presently exempt from the SECR reporting requirements. However, in the first six months of 2023 the Group estimates that it has consumed circa 1,900,000 kWh of energy in the period, due primarily to its drilling campaign in Germany. The Group is developing its reporting systems and KPI metrics to establish baselines for future reporting and will publish these as the Project develops.

Post reporting date events

There have been no material events to report since the reporting date.

On behalf of the Board



Cherif Rifaat
Director
23 August 2023

ZINNWALD LITHIUM PLC
CORPORATE GOVERNANCE STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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

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

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

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

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

The Company's most recent annual report for the financial period ended 31 December 2022 was published on 22 March 2023 and contains the disclosures recommended by the QCA Code. Furthermore, the Company updates its annual QCA Statement on its website with the most recent version published in September 2022, which includes therein further additional detail on the Company's ongoing compliance.

ZINNWALD LITHIUM PLC
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023

		30 June 2023	30 June 2022
		Unaudited	Unaudited
	Notes	€	€
Continuing operations			
Administrative expenses		(1,178,600)	(858,953)
Other operating income		68,957	2,187
Share based payments charge	13	(255,111)	(591,099)
Operating Loss	4	(1,364,754)	(1,447,865)
Finance income	5	32,792	18
Loss before taxation		(1,331,962)	(1,447,847)
Tax on loss		-	-
Loss for the financial period		(1,331,962)	(1,447,847)
Other Comprehensive Income		-	-
Total comprehensive loss for the period		(1,331,962)	(1,447,847)
Earnings per share from continuing operations attributable to the owners of the parent company			
Basic (cents per share)	6	(0.34)	(0.49)

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

ZINNWALD LITHIUM PLC
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

		30 June 2023	30 June 2022	31 December 2022
	Notes	Unaudited €	Unaudited €	Audited €
Non-current assets				
Intangible Assets	7	22,654,530	16,852,308	18,966,165
Property, plant and equipment	8	353,077	188,062	327,528
Right of Use Assets	9	116,280	-	185,285
		<u>23,123,887</u>	<u>17,040,370</u>	<u>19,478,978</u>
Current assets				
Trade and other receivables	10	507,920	194,918	309,795
Cash and cash equivalents	11	19,689,789	6,020,170	3,164,585
		<u>20,197,709</u>	<u>6,215,088</u>	<u>3,474,380</u>
Total Assets		<u>43,321,596</u>	<u>23,255,458</u>	<u>22,953,358</u>
Current liabilities				
Trade and other payables	12	(934,725)	(123,324)	(583,660)
Lease Liabilities < 1 year	9	(118,455)	-	(140,149)
		<u>(1,053,180)</u>	<u>(123,324)</u>	<u>(723,809)</u>
Net current assets		<u>19,144,529</u>	<u>6,091,764</u>	<u>2,750,570</u>
Non-current Liabilities				
Deferred tax liability		(1,382,868)	(1,382,868)	(1,382,868)
Lease Liabilities > 1 year	9	-	-	(47,795)
		<u>(1,382,868)</u>	<u>(1,382,868)</u>	<u>(1,430,663)</u>
Total liabilities		<u>(2,436,048)</u>	<u>(1,506,192)</u>	<u>(2,154,472)</u>
Net Assets		<u>40,885,548</u>	<u>21,749,266</u>	<u>20,798,886</u>
Equity				
Share capital	14	5,365,379	3,316,249	3,316,249
Share premium		39,403,810	20,289,487	20,289,487
Other reserves		1,623,039	1,413,880	1,367,868
Retained earnings		(5,506,680)	(3,270,350)	(4,174,718)
Total equity		<u>40,885,548</u>	<u>21,749,266</u>	<u>20,798,886</u>

ZINNWALD LITHIUM PLC
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Share Capital	Share premium account	Other reserves	Retained earnings	Total
	€	€	€	€	€
Balance at 1 January 2023	3,316,249	20,289,487	1,367,868	(4,174,718)	20,798,886
Six months ended 30 June 2023					
Loss and total other comprehensive income for the period				(1,331,962)	(1,331,962)
Currency translation difference	-	-	60	-	60
Total comprehensive income for the period	-	-	60	(1,331,962)	(1,331,902)
Issue of share capital	2,049,130	19,282,326	-	-	21,331,456
Share issue costs		(168,003)	-	-	(168,003)
Credit to equity for equity settled share-based payments			255,111	-	255,111
Total transactions with owners directly in equity	2,049,130	19,114,323	255,111	-	21,418,564
Balance at 30 June 2023	5,365,379	39,403,810	1,623,039	(5,506,680)	40,885,548
	Share Capital	Share premium account	Other reserves	Retained earnings	Total
	€	€	€	€	€
Balance at 1 January 2022	3,316,249	20,289,487	822,781	(1,822,503)	22,606,014
Six months ended 30 June 2022					
Loss and total other comprehensive income for the period	-	-	-	(1,447,847)	(1,447,847)
Total comprehensive income for the period	-	-	-	(1,447,847)	(1,447,847)
Credit to equity for equity settled share-based payments	-	-	591,099	-	591,099
Total transactions with owners recognised directly in equity	-	-	591,099	-	591,099
Balance at 30 June 2022	3,316,249	20,289,487	1,413,880	(3,270,350)	21,749,266

ZINNWALD LITHIUM PLC
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	30 June 2023 Unaudited	30 June 2022 Unaudited
Cash flows from operating activities			
Cash used in operations	15	(859,168)	(1,430,043)
Net cash outflow from operating activities		(859,168)	(1,430,043)
Cash flows from investing activities			
Exploration expenditure	(3,689,166)	(687,664)	
Purchase of property, plant and equipment	(50,707)	(180,603)	
Proceeds from sale of tangible assets	-	26,471	
Interest received	32,792	18	
Net cash used in investing activities		(3,707,081)	(841,778)
Cash flows from financing activities			
Proceeds from the issue of shares	21,163,453	-	
Lease payments	(72,000)	-	
Net cash generated from financing activities		21,091,453	-
Net (decrease)/increase in cash and cash equivalents		16,525,204	(2,271,821)
Cash and cash equivalents at beginning of period		3,164,585	8,291,991
Cash and cash equivalents at end of period	11	19,689,789	6,020,170

1. Accounting Policies

Company Information

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

The group consists of Zinnwald Lithium Plc and its wholly owned subsidiaries, as follows as at 30 June 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	Rental Leasing	Ordinary	-	100.0%

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

The registered office address of both Zinnwald Lithium GmbH and Zinnwald Lithium Services GmbH is at Am Junger-Loewe-Schacht 10, 09599, Freiberg, Germany. In July 2023, the Group completed the process of renaming both companies under the “Zinnwald Lithium” banner to better reflect the Group’s ties to the local community.

On 14 June 2023, the Company completed the sale of its previously wholly owned subsidiary, Erris Zinc Ltd, whose registered office address is The Bungalow, Newport Road, Castlebar, Co. Mayo. F23YF24. Accordingly, the results of this company are only consolidated in the accounts of the Group up to the date of disposal.

1.1 Basis of preparation

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention and in accordance with the AIM Rules for Companies. As permitted, the Company has chosen not to adopt IAS 34 “Interim Financial Statements” in preparing this interim financial information. The unaudited interim condensed financial statements should be read in conjunction with the annual report and financial statements for the year ended 31 December 2022, which 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 unaudited interim condensed consolidated financial statements do not constitute statutory financial statements within the meaning of the Companies Act 2006. They have been prepared on a going concern basis in accordance with the recognition and measurement criteria of UK adopted international accounting standards. Statutory financial statements for the year ended 31 December 2022 were approved by the Board of Directors on 22 March 2023 and delivered to the Registrar of Companies. The report of the auditor on those financial statements was unqualified.

The same accounting policies, presentation and methods of computation are followed in these unaudited interim condensed financial statements as were applied in the preparation of the audited financial statements for the year ended 31 December 2022.

The financial statements are prepared in euros, which is the functional currency of the Company and the Group’s presentation currency, since the majority of its expenditure, including funding provided to Deutsche Lithium, is denominated in this currency. Monetary amounts in these financial statements are rounded to the nearest €.

The € to GBP exchange rate used for translation as at 30 June 2023 was €1.163027.

1.2 Basis of consolidation

The consolidated financial statements incorporate those of Zinnwald Lithium Plc and all of its subsidiaries, as listed above (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 intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Company had a cash balance of €19.7m at the period end and keeps a tight control over all expenditure. Thus, the going concern basis of accounting in preparing the Financial Statements continues to be adopted.

1.4 Intangible assets

Capitalised Exploration and Evaluation costs

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

1.5 Property, plant and equipment

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

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

Leasehold land and buildings	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.

1.6 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.

1.7 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.

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

Management tests annually whether capitalised exploration costs have a carrying value in accordance with the accounting policy stated in note 1.6. Each exploration project is subject to a review either by a consultant or an appropriately experienced Director to determine if the exploration results returned to date warrant further exploration expenditure and have the potential to result in an economic discovery. This review takes into consideration long-term metal prices, anticipated resource volumes and grades, permitting and infrastructure as well as the likelihood of on-going funding from joint venture partners. In the event that a project does not represent an economic

ZINNWALD LITHIUM PLC
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

exploration target and results indicate that there is no additional upside, or that future funding from joint venture partners is unlikely, a decision will be made to discontinue exploration.

The Company's sole focus is on the Zinnwald Lithium Project and the majority of capitalised exploration and development expenses are held at Deutsche Lithium level. Management have reviewed the carrying value of these intangible assets at period end and do not believe that any impairment is required. Management believe that this is supported by the robust potential economic value of the Project, as identified by the PEA published in September 2022 and further supported by the material investment in the Group made by AMG in March 2023.

In Ireland, the Group fully impaired the carrying value of its license at Abbeytown (PL 3735) in 2021 and accordingly the Ireland assets were held on the balance sheet at a Nil value. In June 2023, the Group completed the sale of this asset and has only consolidated results up to the date of disposal.

3 Segmental reporting

The Group now operates solely in the UK and Germany having disposed of its Ireland operations in June 2023. Activities in the UK include the Head Office corporate and administrative costs whilst the activities in Germany relate to the work done by Deutsche Lithium on the Group's primary asset of the Zinnwald Lithium Project. The reports used by the Board and Management are based on these geographical segments.

	Non-core Assets	Germany	UK	Total
	2023	2023	2023	2023
	€	€	€	€
Cost of sales and administrative	(8,839)	(446,466)	(811,663)	(1,266,968)
Gain/loss on foreign exchange	-	-	88,368	88,368
Other operating income	-	68,957	-	68,957
Finance income	-	-	32,792	32,792
Share based payment charge	-	-	(255,111)	(255,111)
Profit/(loss) from operations per reportable segment	(8,839)	(377,509)	(945,614)	(1,331,962)
Reportable segment assets	-	22,667,315	20,654,281	43,321,596
Reportable segment liabilities	-	2,415,318	20,730	2,436,048
	Non-core Assets	Germany	UK	Total
	2022	2022	2022	2022
	€	€	€	€
Cost of sales and administrative	(3,172)	(225,941)	(627,630)	(856,743)
Gain/loss on foreign exchange	-	-	(2,210)	(2,210)
Other operating income	-	2,187	-	2,187
Finance income	-	-	18	18
Share based payment charge	-	-	(591,099)	(591,099)
Profit/(loss) from operations per reportable segment	(3,172)	(223,754)	(1,220,921)	(1,447,847)
Reportable segment assets	11,972	16,897,083	6,346,403	23,255,458
Reportable segment liabilities	-	71,237	52,087	123,324

Non-Core Assets comprises the former Ireland assets, which were disposed of in June 2023.

ZINNWALD LITHIUM PLC
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

4 Operating loss

	Group 2023	2022
	€	€
Operating loss for the year is stated after charging / (crediting)		
Exchange (gains)/losses	88,368	(2,210)
Depreciation of Right of Use Assets	69,005	-
Depreciation of owned property, plant and equipment	25,219	18,980
Amortisation of intangible assets	800	442
Share-based payment expense	255,111	591,099
Operating lease charges	23,712	64,836
Exploration costs expensed	351,197	210,328
	<u> </u>	<u> </u>

5 Finance income

	Group 2023	2022
	€	€
Interest income		
Interest on bank deposits	32,792	18
	<u> </u>	<u> </u>

6 Earnings per share

	2022	2021
	€	€
Weighted average number of ordinary shares for basic earnings per share	385,948,016	293,395,464
Effect of dilutive potential ordinary shares		
- Weighted average number of outstanding share options	5,553,591	5,900,000
Weighted average number of ordinary shares for diluted earnings per share	<u>391,501,607</u>	<u>299,295,464</u>
Earnings		
Continuing operations		
Loss for the period for continuing operations	<u>(1,331,962)</u>	<u>(1,447,847)</u>
Earnings for basic and diluted earnings per share distributable to equity shareholders of the company	<u>(1,331,962)</u>	<u>(1,447,847)</u>
	<u> </u>	<u> </u>
Earnings per share for continuing operations		
Basic and diluted earnings per share		
Basic earnings per share	<u>(0.34)</u>	<u>(0.49)</u>

There is no difference between the basic and diluted earnings per share for the period ended 30 June 2023 or 2022 as the effect of the exercise of options would be anti-dilutive.

ZINNWALD LITHIUM PLC
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

7 Intangible Assets

Group	Germany €	Ireland €	Total €
Cost			
At 1 January 2023	18,967,989	2,059,272	21,027,261
Additions – group funded	3,689,166	-	3,689,166
Disposals		(2,059,272)	(2,059,272)
At 30 June 2023	<u>22,657,155</u>	<u>-</u>	<u>22,657,155</u>
Amortisation and impairment			
At 1 January 2023	1,824	2,059,272	2,061,096
Amortisation charged for the period	800	-	800
Disposals	-	(2,059,272)	(2,059,272)
At 30 June 2023	<u>2,624</u>	<u>-</u>	<u>2,624</u>
Carrying amount			
At 30 June 2023	<u>22,654,530</u>	<u>-</u>	<u>22,654,530</u>

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, which was sold in June 2023.

8 Property plant and equipment

	Leasehold, land and buildings €	Fixtures, fittings and equipment €	Motor vehicles €	Total €
Cost				
At 1 January 2023	40,990	277,195	66,593	384,778
Additions – group funded	-	50,707	-	50,707
Disposals	-	-	-	-
Exchange adjustments	-	160	-	160
At 30 June 2023	<u>40,990</u>	<u>328,062</u>	<u>66,593</u>	<u>435,645</u>
Depreciation and impairment				
At 1 January 2023	-	39,636	17,614	57,250
Depreciation charged for the year	-	18,576	6,643	25,219
Exchange adjustments	-	99	-	99
At 30 June 2023	<u>-</u>	<u>58,311</u>	<u>24,257</u>	<u>82,568</u>
Carrying amount				
At 30 June 2023	<u>40,990</u>	<u>269,751</u>	<u>42,336</u>	<u>353,077</u>

9 Right of Use Assets and Lease Liabilities

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

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

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	€
Right of use asset	
Initial Recognition on 1 January 2023	185,285
Depreciation charged in the period	(69,005)
	<u>116,280</u>
Balance as at 30 June 2023	<u>116,280</u>
Lease Liability	
Initial Recognition on 1 January 2023	187,944
Interest charged for the period	2,511
Lease payments in the period	(72,000)
	<u>118,455</u>
Balance as at 30 June 2023	<u>118,455</u>
- <i>Recognised in Short Term Payables</i>	118,455
- <i>Recognised in Payables >1 year</i>	-

10 Trade and other receivables

	30 June 2023	31 December 2022
	€	€
Amounts falling due within one year:		
Other receivables	430,318	248,692
Prepayments and accrued income	77,602	61,103
	<u>507,920</u>	<u>309,795</u>
At period end	<u>507,920</u>	<u>309,795</u>

11 Cash and cash equivalents

	30 June 2023	31 December 2022
	€	€
Cash and cash equivalents	19,689,789	3,164,585
	<u>19,689,789</u>	<u>3,164,585</u>
At period end	<u>19,689,789</u>	<u>3,164,585</u>

12 Trade and other payables

	30 June 2023	31 December 2022
	€	€
Amounts falling due within one year:		
Trade payables	827,454	321,277
Other taxation and social security	-	34,974
Other payables	25,737	13,082
Accruals and deferred income	81,534	214,327
	<u>934,725</u>	<u>583,660</u>
At period end	<u>934,725</u>	<u>583,660</u>

13 Share based payment transactions

	Group	
	2023	2022
	€	€
Expenses recognised in the year		
Options issued under the Share Option Plan (2017)	103,061	490,705
RSUs issued under RSU Scheme (2020)	152,050	100,394
	<u>255,111</u>	<u>591,099</u>
	<u>255,111</u>	<u>591,099</u>

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Share Option Plan (2017)

A total of 4,000,000 Options were granted to employees, consultants and Directors of the Group on 15 January 2022 at a price of 18.10p. A further total of 2,450,000 Options were granted to employees, consultants and Directors of the Group on 23 March 2023 at a price of 10.41p. All awards vest 1/3 on award, 1/3 after 12 months and 1/3 after 24 months. They are expensed over the vesting period.

RSU Scheme (2020)

The first awards of RSUs under the new scheme were made on 15 January 2022 relating to the initial performance period from 1 October 2020 to 31 December 2021. A total of 1,909,531 RSUs were issued and have been expensed based on the share price at the date of issue being 18.10p and expensed over the vesting period.

The second awards of RSUs under the new scheme were made on 23 March 2023 relating to the initial performance period from 1 January 2022 to 31 December 2022. A total of 3,406,780 RSUs were issued and have been expensed based on the share price at the date of issue being 10.41p and expensed over the vesting period.

14 Share Capital

	30 June 2023	31 December 2022
	€	€
Ordinary share capital Issued and fully paid		
473,524,624 ordinary shares of 1p each (2022 : 293,395,464)	5,365,379	3,316,249
	<u>5,365,379</u>	<u>3,316,249</u>

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

Reconciliation of movements during the period:

	Ordinary Number	Ordinary Value
	€	€
Ordinary shares of 1p each		
At 1 January 2023	293,395,464	3,316,249
Issue of fully paid shares (cash subscription)	180,129,160	2,049,130
	<u>473,524,624</u>	<u>5,365,379</u>

15 Cash (used in)/generated from group operations

	2023	2022
	€	€
Loss for the period after tax	(1,331,962)	(1,447,847)
Adjustments for:		
Investment income	(32,792)	(18)
Lease interest	2,511	-
Gain on disposal of fixed assets	-	(4,288)
Depreciation of Right of Use Assets	69,005	-
Depreciation of property, plant and equipment	25,219	19,422
Amortisation of Intangible Assets	800	-
Equity-settled share-based payment expense	255,111	591,099
Movements in working capital:		
(Increase) / decrease in trade and other receivables	(198,125)	(73,075)
Increase / (decrease) in trade and other payables	351,065	(515,336)
	<u>(859,168)</u>	<u>(1,430,043)</u>

16 Approval of interim condensed consolidated financial statements

These interim condensed financial statements were approved by the Board of Directors on 23 August 2023.