

29 APRIL 2021

QUARTERLY ACTIVITIES REPORT For the 3 months ended 31 March 2021

ABOUT ADRIATIC METALS (ASX:ADT, LSE:ADT1)

Adriatic Metals Plc is focused on the development of the 100%-owned, Vares high-grade silver project in Bosnia & Herzegovina, and exploration at the Raska base & precious metals project in Serbia.

DIRECTORS

Mr Michael Rawlinson
NON-EXECUTIVE CHAIRMAN

Mr Paul Cronin
MANAGING DIRECTOR & CEO

Mr Peter Bilbe
NON-EXECUTIVE DIRECTOR

Mr Julian Barnes
NON-EXECUTIVE DIRECTOR

Ms Sandra Bates
NON-EXECUTIVE DIRECTOR

Ms Sanela Karic
NON-EXECUTIVE DIRECTOR

adriaticmetals.com

HIGHLIGHTS

- Veovaca Exploitation Permit Received
- Rupice Environmental Permit Issued with positive Record of Decision ("RoD")
- Assay results from ongoing exploration work at the Raska Project, in Serbia
- Acquisition completed of the remaining 90% of Ras Metals d.o.o. that the Company did not previously own for a consideration of cash and shares. The Ras Metals assets include the exploration licences for both Kizevak and Sastavci prospects that make up the Raska Project.
- Post quarter-end the Company provided a Vares Project Operations and Corporate Update;
 - Optimised underground mine plan for Rupice, which targets the central higher-grade zones sooner. This has resulted in a 26% increase in silver-equivalent contained metal mined during the first 24 months.
 - Demolition of the Old Processing Plant Site is nearing completion. A geotechnical drilling program to test the structural integrity of the original concrete pad has been completed.
 - Urban Planning Permit and Exploitation Permit for Rupice are on course to be received later this quarter.
 - Exploration permit for the 32km² of new concession area, granted in Q3 2020, is expected within a month.
 - Exploration drilling has now re-commenced at Rupice

Paul Cronin, Adriatic's Managing Director and CEO commented:

"During the first quarter of 2021, two important permits for the Vares Silver Project were delivered, which is a significant step forward in the development of the Project. This gives me great confidence in the timely delivery of the Main Mining Project permit this summer.

The Company is well positioned for what will be a transformational year for the Vares Silver Project, with the completion of the Definitive Feasibility Study and associated Project Financing.



Adriatic Metals PLC (ASX:ADT, LSE:ADT1) ("Adriatic" or the "Company") is pleased to provide the following Quarterly Activities Report ("QAR") that summarises the progress made and reported during the three months ended 31 March 2021 ("Q1" or the "Quarter").

1. Vares Project Permitting Approvals

During the Quarter the Company received two key permits to the development of the Vares Project.

On 28 January, 2021 the company received the Veovaca Exploitation Permit from the Federal Ministry for Energy, Mining and Industry ("Exploitation Permit"). The receipt of the Exploitation Permit initiated the formal exploitation period for the project, which under the terms of the Concession Agreement is up to 30 years. As the Concession Agreement covers both the Veovaca and Rupice deposits, the security of tenure applies to both the Veovaca open pit and plant areas, as well as the Rupice underground mine area.

The receipt of the Exploitation Permit also enables Adriatic to complete the Main Mining Project permit for the Veovaca open pit mine, flotation plant, and tailings management facility at a detailed engineering level for the start of construction in Q3 2021. The Exploitation Permit for Rupice, which is expected in Q2 2021, is required before the commencement of underground development at Rupice, and the application will be made following the issue of the Urban Planning Permits for Rupice, in a process similar to what has completed for Veovaca.

On 8 February, 2021 the Federal Ministry of Environment and Tourism ("Ministry") issued a positive Record of Decision ("RoD") for the Rupice Environmental Permit – one of the key approvals required for the issue of the Exploitation Permit at Rupice. The RoD was received following the submission of an Environmental Impact Assessment, which was prepared in accordance with the Federal Mining Code and reviewed by a five-member expert committee, as well as a public hearing in August 2020.

The Environmental Permit is required to be issued within 30 days from the date of the RoD, at which point Adriatic will submit an application for an Urban Planning Permit to the Federal Ministry for Spatial Planning. Following the receipt of the Urban Planning Permit, Adriatic will apply for an Exploitation Permit, in a process similar to what was recently completed for Veovaca.

2. Vares Project Operations and Corporate Update

Post quarter end, on 19 April 2021, the Company provided a Vares Project Operations and Corporate Update. The highlights were as follows:

Vares Project Highlights

- Optimised underground mine plan for Rupice, which targets the central higher-grade zones sooner. This has resulted in a 26% increase in silver-equivalent contained metal mined during the first 24 months.
Demolition of the Old Processing Plant Site is nearing completion. A geotechnical drilling program to test the structural integrity of the original concrete pad has been completed.
- Urban Planning Permit and Exploitation Permit for Rupice are on course to be received later this quarter.
- Exploration permit for the 32km² of new concession area, granted in Q3 2020, is expected within a month.
- Exploration drilling has now re-commenced at Rupice.



- Adriatic Metals Chief Geologist, Phil Fox, hosted a Vares Project Geology Webinar on Tuesday, 20 April 2021. A recording of the webinar is available, see link: <https://www.adriaticmetals.com/news/the-vares-project-geology-presentation/>
- The webinar's Vares Project Geology Presentation is available on the ASX announcements page of the Company's website, see link: <https://www.adriaticmetals.com/investors/asx-announcements/>
- The Company has received several non-binding term sheets for the Vares Project Financing.

Corporate Highlights

- Appointment of Thomas Horton as Head of Corporate Development & Investor Relations.
- Appointment of RBC Capital Markets as the Company's Joint Corporate Broker, effective 30 March 2021.

3. Raska Project Drill Results

In the Quarter, the Company reported on two sets of assay results from ongoing exploration work at the Raska Project, in Serbia.

On 27 January, 2021 Adriatic reported assay results from 16 diamond core holes at the Kizevak Prospect and 3 drill holes at the Sastavci Prospect. The Drilling at the Kizevak Prospect confirmed the down dip continuity of a high grade lens in the central-northwest part of the deposit, beneath the limits of historic drilling, where mineralisation remains open. Drill hole *KZDD-030* intercepted thick mineralisation down dip from the previously reported drill hole *KZDD-014*, demonstrating excellent continuity as well as elevated gold grade. This thick, high-grade lens remains open to depth. Mineralisation in the central-south eastern part of the Kizevak Prospect licence has been identified, occurring as an array of sub-parallel, near-surface vein zones with some high-grade parts in several holes. Drilling at the Sastavci Prospect has continued to deliver excellent intercepts of wide, high grade mineralisation from surface at the base of the historic Sastavci open pit. Thicker zones of mineralisation than historically reported have been encountered, and mineralisation is open in all directions.

Subsequently on 22 March 2021, Adriatic reported further exploration results, as well as providing plans for an expansion of the Company's exploration plans at the Raska Project in Serbia. At the Kizevak Prospect, near-surface, high grade mineralisation continues to be identified, confirmed by drill hole *KZDD-051*, which was located up-dip from a thick, deeper lens. In addition, drill hole *KZDD-042* also extended mineralisation down dip and southeast from the historically defined limits of mineralisation. At Sastavci, drill hole *SSDD-006* intercepted two thick zones of mineralisation that are both sub-parallel to the historically mined vein zone and are open to the northwest. Drill hole *SSDD-007* intercepted a broad, well mineralised zone from surface that continues to demonstrate much thicker zones of mineralisation are present than historically interpreted. As part of the 25,000 metres of diamond drilling planned at the Raska Project for 2021, a third drill rig will be deployed to focus on more regional exploration targets.

4. Completion of Ras Metals Acquisition

On 23 February 2021, the Company announced that it has completed the acquisition of the entire share capital of Ras Metals d.o.o ("Ras Metals") under an agreement held by Tethyan Resource Corp ("Tethyan"), now a wholly owned subsidiary of Adriatic.

The Ras Metals assets include the exploration licences for both Kizevak and Sastavci prospects (together, the "Raska Project"). The consideration paid for the remaining 90% of the shares in Ras Metals that the Company did not already hold was EUR 1,365,000, plus the allotment of 166,000 Ordinary shares of 0.013355p each in the Company ("Shares"). Additionally, there is deferred consideration of EUR 500,000,



payable on 14 May 2022, and 498,000 Ordinary shares in the Company that will be allotted in three equal tranches on or around 22 August 2021, 22 February 2022 & 22 August 2022.

The Shares rank pari passu with the existing Ordinary shares and application has been made to the Financial Conduct Authority and the London Stock Exchange for the Shares to be admitted to the standard segment of the Official List of the London Stock Exchange. Admission of the Shares is expected on 2 March 2021.

Since the Tethyan acquisition last year, 11,000m of diamond core ("DC") drilling has been completed on the Raska licenses. Drilling has been focussed around the area South East of the Kizevak Prospect, where under the prior ownership of Tethyan, thick intersections of high-grade mineralisation were drilled. See Tethyan announcement dated 04 September 2018 on SEDAR for more information. Adriatic has a further 25,000m of step-out DC drilling planned across the Raska Project during 2021.

5. Summary of Expenditure

A summary of operating and investing expenditure made by Adriatic on a consolidated basis during the Quarter in relation to operating and investing activities reported in the Appendix 5B Cash Flow Report is as follows:

	GBP'000
Exploration & Evaluation (capitalised)	1,313
Exploration & Evaluation (expensed)	491
Staff costs	497
Administration and corporate costs	1,340
Property, plant and equipment acquisitions	138
Interest paid	411
Payments to acquire entities	1,189
Other – VAT Refunds	<u>(24)</u>
Total	<u>£ 5,355</u>

6. Payments to Related Parties

During the Quarter, Adriatic paid an aggregate total of £146k to Directors, or companies controlled by them, comprised of salaries, fees and reimbursement / recharge of corporate office facilities & associated services used / provided by the Company. This is disclosed in Item 6 of the accompanying Appendix 5B Cash Flow Report.



7. Tenement Holdings

In accordance with ASX Listing Rule 5.3.3 please find below the Company's tenements as at 31 March 2021. The Company holds a 100% interest in all concession agreements and licences via its wholly owned subsidiaries, with the exception of the Raska (Suva Ruda) licence held by Deep Research d.o.o.. The Company has an option agreement to acquire 100% ownership of Deep Research d.o.o. but has no equity interest in that entity at present.

	Concession document	Registration number	License holder	Concession name	Area (km ²)	Date granted	Expiry date
Bosnia and Herzegovina	Concession Agreement	No.:04-18-21389-1/13	Eastern Mining d.o.o.	Veovaca1	1.08	12-Mar-2013	11-Mar-2038
				Veovaca 2	0.91	12-Mar-2013	11-Mar-2038
				Rupice-Jurasevac, Brestic	0.83	12-Mar-2013	13-Mar-2038
	Annex 3 - Area Extension	No.: 04-18-21389-3/18	Eastern Mining d.o.o.	Rupice - Borovica	4.52	14-Nov-2018	13-Nov-2038
				Veovaca - Orti - Seliste - Mekuse	1.32	14-Nov-2018	13-Nov-2038
	Annex 5 - Area Extension	No: 04-18-14461-1/20	Eastern Mining d.o.o.	Barice- Smajlova Suma-Macak	19.45	03-Dec-2020	03-Dec-2050
				Droskovac - Brezik	2.88	03-Dec-2020	03-Dec-2050
Borovica - Semizova Ponikva				9.91	03-Dec-2020	03-Dec-2050	
Serbia	Exploration License	310-02-1721/2018-02	Ras Metals d.o.o.	Kizevak	1.84	03-Oct-2019	03-Oct-2022
	Exploration License	310-02-1722/2018-02	Ras Metals d.o.o.	Sastavci	1.44	12-Mar-2013	03-Oct-2022
	Exploration License	310-02-1114/2015-02	Taor d.o.o.	Kremice	8.54	21-Apr-2016	21-April-2022
	Exploration License	310-02-00060/2015-02	Deep Research d.o.o.	Raska (Suva Ruda)	87.17	28-Dec-2015	18-Feb-2022



Authorised by, and for further information please contact:

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Managing Director & CEO

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For further information please visit www.adriaticmetals.com, [@AdriaticMetals](https://twitter.com/AdriaticMetals) on Twitter, or contact:

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ABOUT ADRIATIC METALS

Adriatic Metals Plc (ASX:ADT, LSE:ADT1) is a precious and base metals developer that is advancing the world-class Vares Silver Project in Bosnia & Herzegovina, as well as the Raska Zinc-Silver Project in Serbia.

The Vares Project Pre-Feasibility Study boasts robust economics of US\$1,040 million post-tax NPV⁸, 113% post-tax IRR and a capex of US\$173 million. Adriatic is the only publicly listed mining company exploring in Bosnia and is leveraging its first-mover advantage. The Company is well-funded and concurrent with the advancing Definitive Feasibility Study, continues to explore across its large, highly prospective 41km² concession package.

Adriatic Metals completed the acquisition TSX-listed Tethyan Resource Corp. in Q4 2020, which contained the Raska Zinc-Silver Project in southern Serbia. The Company is exploring across its 99km² highly prospective concession area, which includes around the formerly operating Kizevak and Sastavci polymetallic mines.

There have been no material changes to the assumptions underpinning the forecast financial information derived from the production target in the 15 October 2020 announcement and these assumptions continue to apply and have not materially changed. Adriatic Metals is not aware of any new information or data that materially affects the information included in the announcement of the updated Mineral Resource Estimate announced on 1 September 2020 and all material assumptions and technical parameters underpinning the Mineral Resource Estimate continue to apply and have not materially changed.



COMPETENT PERSONS' REPORT

The information in this report which relates to Exploration Results is based on, and fairly represents, information compiled by Mr Philip Fox, who is a member of the Australian Institute of Geoscientists (AIG). Mr Fox is a consultant to Adriatic Metals PLC, and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Fox consents to the inclusion in this report of the matters based on that information in the form and context in which it appears.

The information in this report which relates to Metallurgical Results is based on, and fairly represents, information compiled by Mr Philip King of Wardell Armstrong. Mr King and Wardell Armstrong are consultants to Adriatic Metals plc and Mr King has sufficient experience in metallurgical processing of the type of deposits under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr King is a Fellow of the Institute of Materials, Minerals & Mining (which is a Recognised Professional Organisation (RPO) included in a list that is posted on the ASX website from time to time), and consents to the inclusion in this report of the matters based on that information in the form and context in which it appears.



Appendix 5B

Mining exploration entity or oil and gas exploration entity
quarterly cash flow report

Name of entity

ADRIATIC METALS PLC

ABN

624 403 163

Quarter ended ("current quarter")

31 MARCH 2021

Consolidated statement of cash flows	(a) Current quarter GBP'000	(b) Year to date (3 months) GBP'000
1. Cash flows from operating activities		
1.1 Receipts from customers	0	0
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(491)	(491)
(b) development	0	0
(c) production	0	0
(d) staff costs	(497)	(497)
(e) administration and corporate costs	(1,340)	(1,340)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	0	0
1.5 Interest and other costs of finance paid	(411)	(411)
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	0	0
1.8 Other - VAT refund	24	24
1.9 Net cash from / (used in) operating activities	(2,715)	(2,715)



Consolidated statement of cash flows		(a) Current quarter GBP'000	(b) Year to date (3 months) GBP'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	(1,189)	(1,189)
	(b) tenements	0	0
	(c) property, plant and equipment	(138)	(138)
	(d) exploration & evaluation (if capitalised)	(1,313)	(1,313)
	(e) investments	0	0
	(f) other non-current assets	0	0
2.2	Proceeds from the disposal of:		
	(a) entities	0	0
	(b) tenements	0	0
	(c) property, plant and equipment	0	0
	(d) investments	0	0
	(e) other non-current assets	0	0
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other	0	0
2.6	Net cash from / (used in) investing activities	(2,640)	(2,640)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	0
3.2	Proceeds from issue of convertible debt securities	0	0
3.3	Proceeds from exercise of options	486	486
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(120)	(120)
3.5	Proceeds from borrowings	0	0
3.6	Repayment of borrowings	0	0
3.7	Transaction costs related to loans and borrowings	(143)	(143)
3.8	Dividends paid	0	0



Consolidated statement of cash flows		(a) Current quarter GBP'000	(b) Year to date (3 months) GBP'000
3.9	Other (Pre-acquisition loan to Tethyan)	0	0
3.10	Net cash from / (used in) financing activities	223	223

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	29,249	29,249
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,715)	(2,715)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,640)	(2,640)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	223	223
4.5	Effect of movement in exchange rates on cash held	(86)	(86)
4.6	Cash and cash equivalents at end of period	24,031	24,031

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	(c) Current quarter GBP'000	(d) Previous quarter GBP'000
5.1	Bank balances	24,031	29,249
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (provide details)	0	0
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	24,031	29,249



6.	Payments to related parties of the entity and their associates	(e) Current quarter GBP'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	146
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0
Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	(f) Total facility amount at quarter end GBP'000	(g) Amount drawn at quarter end GBP'000
7.1	Loan facilities	14,510	14,510
7.2	Credit standby arrangements	0	0
7.3	Other (please specify)	0	0
7.4	Total financing facilities	14,510	14,510
7.5	Unused financing facilities available at quarter end		0
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
The loan facilities comprise USD 20 million unsecured convertible debentures at 8.5% interest and a maturity date of December 2024 issued to Queen's Road Capital Investment Ltd. For further details see announcement dated 27 October 2020.			

8.	Estimated cash available for future operating activities	(h) GBP'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(2,715)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(1,313)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(4,028)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	24,031
8.5	Unused finance facilities available at quarter end (Item 7.5)	0
8.6	Total available funding (Item 8.4 + Item 8.5)	24,031
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	6.0
8.8	If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	



1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 April 2021

Authorised by: *Audit and Risk Committee*
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.