

19 APRIL 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

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NON-EXECUTIVE CHAIRMAN

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Mr Peter Bilbe  
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Mr Julian Barnes  
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## VARES PROJECT OPERATIONS AND CORPORATE UPDATE

### VARES PROJECT HIGHLIGHTS

- Rupice underground mine plan optimised, targeting the central higher-grade zones earlier. 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 32km<sup>2</sup> of new concession area, granted in Q3 2020, is expected within a month.
- Exploration drilling has now re-commenced at Rupice.
- A Vares Project Geology Presentation has been made available on the Company's website and via a separate ASX and LSE release. To download the presentation see the announcements page on the Adriatic Metals see link: <https://www.adriaticmetals.com/investors/asx-announcements/>
- Adriatic Metals Chief Geologist, Phil Fox, will host a Vares Project Geology Webinar on Tuesday, 20 April 2021 at 09:00 London / 10:00 CET / 16:00 Perth / 18:00 Sydney. To register for the webinar, see link: [https://us02web.zoom.us/webinar/register/WN\\_oxZb0DJLQJepx7hjS9MNig](https://us02web.zoom.us/webinar/register/WN_oxZb0DJLQJepx7hjS9MNig)
- 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.



Adriatic Metals PLC (ASX:ADT, LSE:ADT1) is pleased to provide an operations update on the Company’s flagship Vares Project (the “Vares Silver Project” or “Project”), and a corporate update.

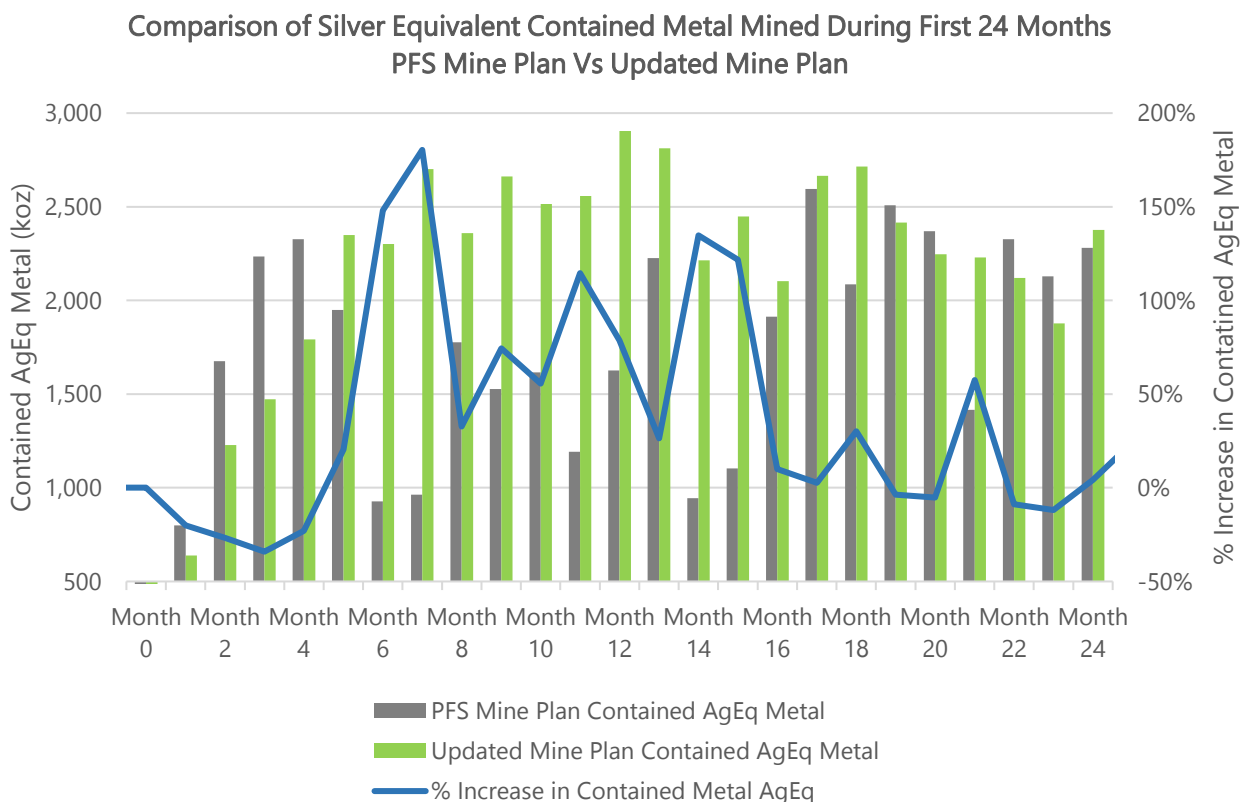
**OPERATIONS – VARES SILVER PROJECT**

**Definitive Feasibility Study**

The Company has appointed Ausenco, Mining Plus & Wardell Armstrong as the principal consultants for the Project Definitive Feasibility Study (“DFS”). All workstreams are advancing well with results expected in Q3 2021.

Mining Plus have optimised the Rupice underground mine design, targeting the high-grade zones of the deposit earlier in the mine plan via a new portal location and decline (“Updated Mine Design”). This has increased the silver-equivalent contained metal mined by 26% during the first 24 months of the mine plan.

Figure 1 plots both the Updated Mine Plan and the Pre-feasibility Study (“PFS”) mine plan, showing the contained silver-equivalent metal mined (on a monthly basis) over the first 24 months for each mine plan. Both mine plans have a fixed mining rate of circa 2,200 tonnes per day. Therefore, the higher silver-equivalent contained metal in the Updated Mine Plan (percentage shown on right hand axis) is due to higher grade ore mined.

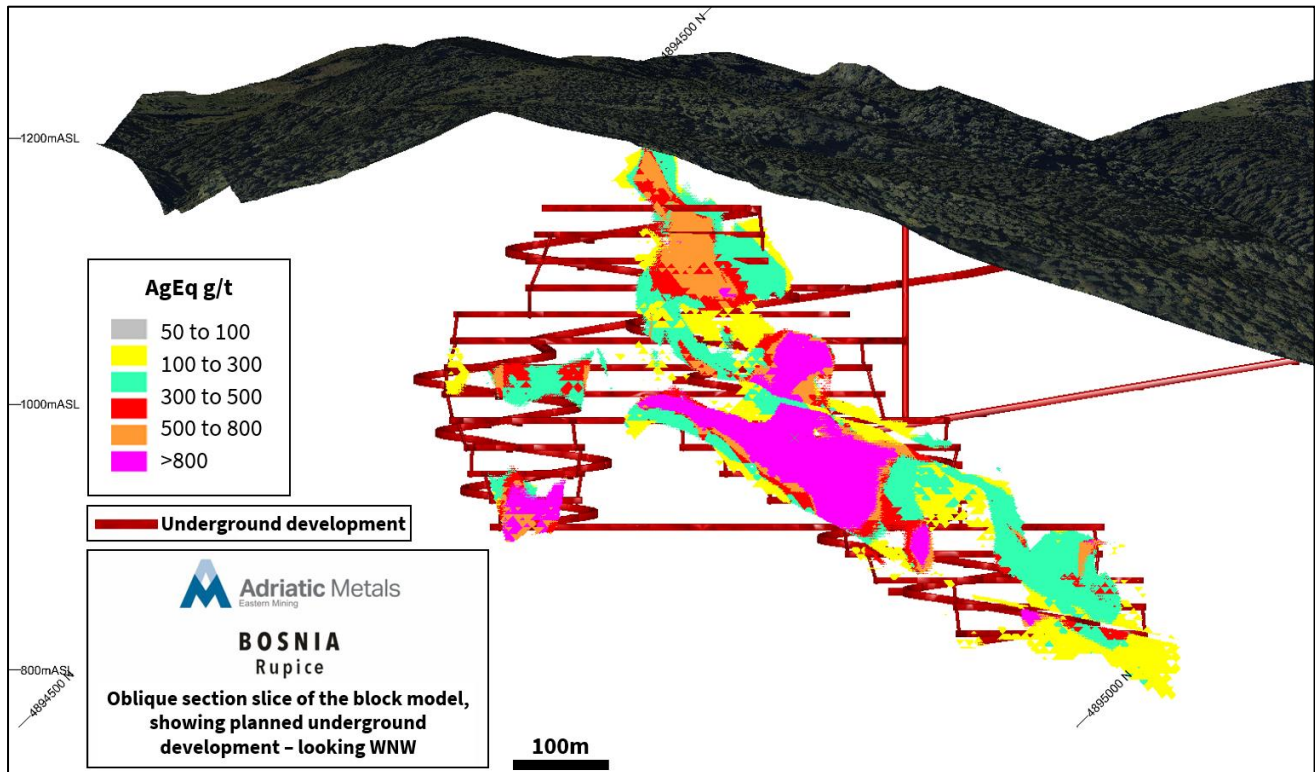


**Figure 1. Chart Showing Contained Metal Mined in the PFS vs the Updated Mine Design**

*Note: the silver equivalent assumptions are the same as those disclosed in Table 1 of Updated Rupice Mineral Resource Estimate, as announced 01 September 2020. For a link to the announcement see link: <https://www.adriaticmetals.com/investors/asx-announcements/>*



The new portal location and decline design for the second portal has been moved to a lower position, further down the hill at Rupice. The second portal provides a more direct route to the central zone high-grade zone (as shown in purple in Figure 2), thereby bringing it forward in the mine plan.



**Figure 2. Oblique Section of the Updated Mine Design**

*Note: the silver equivalent assumptions are the same as those disclosed in Table 1 of Updated Rupice Mineral Resource Estimate, as announced 01 September 2020. For a link to the announcement see link:*

*<https://www.adriaticmetals.com/investors/asx-announcements/>*

A geotechnical drilling program has commenced for the new portal and decline location used in the Updated Mine Design. The program will consist of two holes that will ultimately follow the decline's route from surface to the Rupice orebody. The geotechnical drilling for the proposed site of the ventilation raise shaft has been completed.

The old Veovaca processing plant site is located 5km from Vares and processed ore from the historical Veovaca open pit until the late 1980s ("Old Processing Plant Site"). The Vares Project will reuse this brownfield site for the new processing plant ("Vares Processing Plant").

In Q4 2020, demolition and remediation work of the Old Processing Plant Site commenced and is currently nearing completion. Most of the concrete and steel structures have been demolished and are in the process of being sorted and removed. All removed concrete is being stored and will be recycled as base for the haul road. The original concrete pad will remain as the foundation for the new Vares Processing Plant and a geotechnical drilling program to test its structural integrity has been completed.



## Environmental and Social Impact Assessment (“ESIA”)

The ESIA, led by Wardell Armstrong International, is moving into the final stage of environmental baseline data collection and monitoring. This is expected to be completed by the end of May – albeit some key data will continue to be collected after this date to provide additional background information.

Concurrently, work has started on the impact prediction and analysis and development of mitigation measures, which will lead to the development of various management plans (e.g. social, community health and safety, water, waste, biodiversity, air quality and noise, and emergency preparedness) as well as the mine closure plan. These plans will be key to implementing the various mitigation measures during project construction, operation and closure. All is progressing as planned. The in-house environmental team continue to work closely with the lead engineering consultants, Wardell Armstrong International and Ausenco, to ensure that the DFS and the ESIA provide the best outcomes technically, environmental and socially. The ESIA will be developed in accordance with some of the most demanding practices globally; namely the EBRD Performance Requirements and IFC Performance Standards, which also align with the Equator Principles.

In line with EBRD’s Project Support Agreement, as announced on 27 October 2020, the Company appointed ERM Romania to conduct an Environmental and Social Due Diligence (“ESDD”). The ESDD report concluded that it “did not identify any hindrances to permitting the project”. In March 2021, Wardell Armstrong International produced an updated Scoping Study Report, which supported the positive comments made in the ESDD.

## Permitting

The Rupice underground exploitation permitting process is progressing. The Company is in the process of completing the acquisition of the various land parcels in and surrounding the Rupice deposit. In addition, applications have been made to convert the land from a *Forestry and Agricultural* classification to an *Industrial* classification. All consents for the conversion have been received by the relevant private landowners, and positive opinions received for the adaption of the Vares Municipal Spatial Plan, confirming the area as Industrial Land, have been received. It is expected that the Urban Planning Permit for Rupice and the Exploitation Permit will be issued later this quarter.

As announced on 02 September 2020, the Company was granted 32km<sup>2</sup> of newly granted concession area surrounding the Vares Project (areas shown in blue in figure 3), in addition to the original 9km<sup>2</sup> (areas shown in red in figure 3). The Company is awaiting the issuance of the Exploration Licence before drilling can commence on the expanded areas. This is expected to be received within a month.

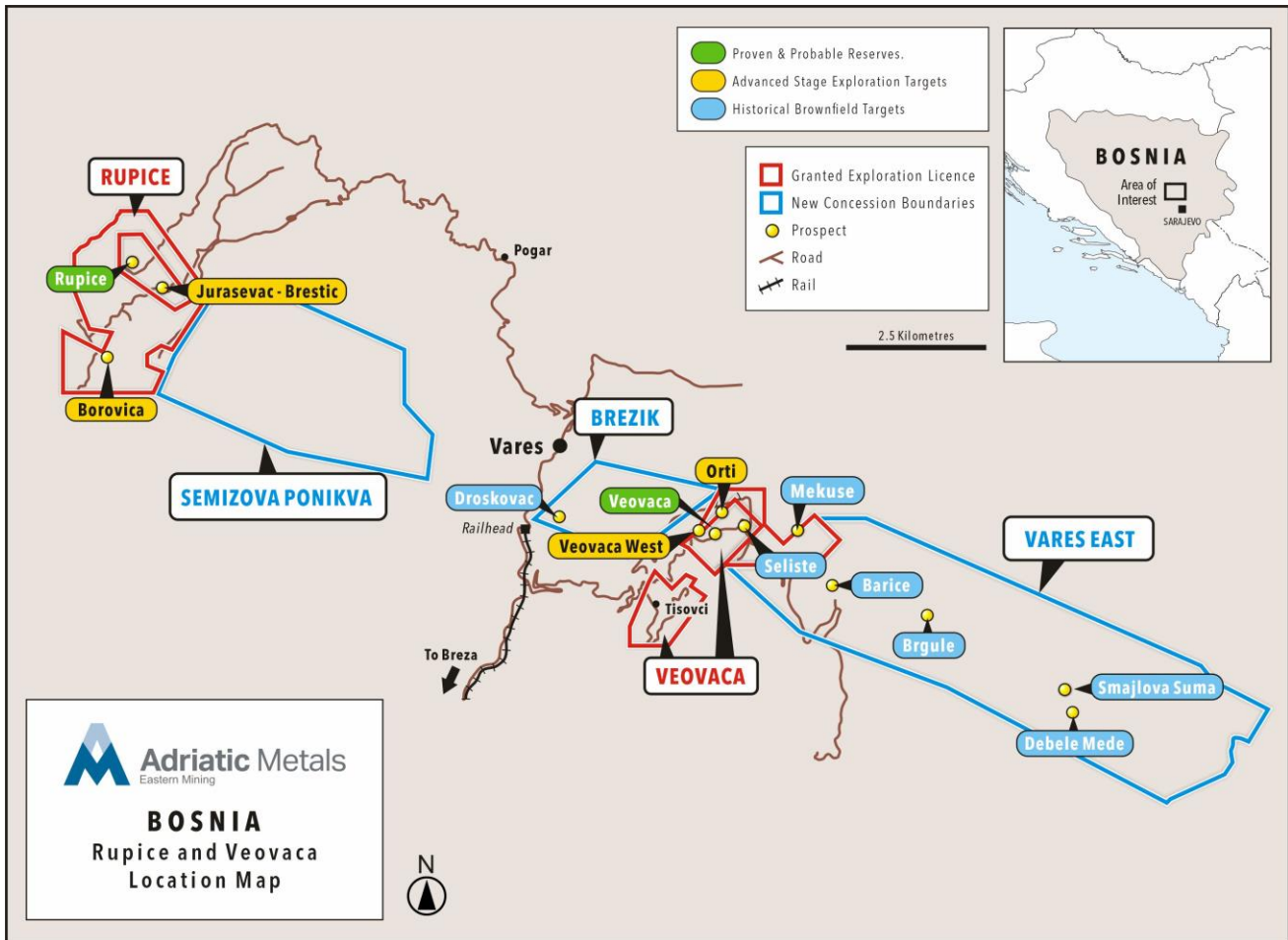


Figure 3. Map of the Vares Project Mineral Concession Area

## Exploration

Following warmer than expected Spring weather, exploration drilling has now re-commenced. Initially, one diamond core drill rig has been deployed to the Rupice area, with a second diamond core drill rig planning to be mobilised on the northern extensions of Rupice in the coming month. In addition, an aeromagnetic and radiometric survey is expected to commence later this month across the entirety of the current 41km<sup>2</sup> of granted concession area. The Company will update the market in due course on the progress of these programs.

The Company has produced a Vares Silver Project Geology Presentation that is available on its website. The presentation covers in detail the geology of the Project and the proposed exploration work program for 2021. To download the presentation see the ASX Announcements page on the Adriatic Metals website: <https://www.adriaticmetals.com/investors/asx-announcements/>

Adriatic Metal's Chief Geologist, Phil Fox, will host a geology focused webinar on Tuesday, 20 April 2021 at 09:00 London / 10:00 CET / 16:00 Perth / 18:00 Sydney. The webinar will run through Vares Silver Project Geology Presentation. An open Q&A session will be available at the end of the session. To register for the webinar see link: [https://us02web.zoom.us/webinar/register/WN\\_oxZb0DJLQJepx7hjS9MNig](https://us02web.zoom.us/webinar/register/WN_oxZb0DJLQJepx7hjS9MNig)



## Community Engagement

Active engagement with stakeholders remains ongoing and has been adapted in reaction to the challenges of the pandemic. Smaller focus groups have been organised in order to ensure an effective, integrated two-way communication with all stakeholders. Stakeholder engagement will continue with this format for the foreseeable future. The Public Liaison Committee, which was set up to provide local communities and institutions a two-way forum through which to communicate information about the Vares Silver Project, had its quarterly meeting in January. This was the 4<sup>th</sup> meeting since inception and all feedback from the meeting was positively received.

The Company is working alongside the European Bank for Reconstruction and Development and Globe 24-7 in creating the syllabus for a mining engineering vocational course at Mješovita srednja škola Nordbat 2 (the local Vares High School). The course, which is scheduled to commence in August 2021, will be the first-time in 30 years that mining has been taught at the school.

Working alongside the local Scouts Association in Vares and World Vision, employees of Eastern Mining worked on a project called "I love Vares". This was a community wide effort to clear up litter in the town and around the regional Vares roads and rivers, as well as distribute leaflets and put noticeboards on the importance of looking after the environment. For more information see link: <https://www.easternmining.co.uk/news/eastern-mining-team-join-vares-clean-up-initiative/>

Funds from the cancelled Eastern Mining end of year celebration have been donated to a number of local humanitarian institutions in the Vares region. The initiatives that received the donations were chosen by employees of Eastern Mining. For more information see link: <https://www.easternmining.co.uk/content/?contentID=3106>

## Concentrate Marketing

The Company has appointed leading commodity trading house, Bluequest Resources AG ("Bluequest") to manage the marketing and offtake of the Vares Silver Project's concentrates. Bluequest are active in the global physical trade of refined non-ferrous metals, minerals, non-ferrous and precious metal concentrates. The Company expects to receive offtake term sheets this quarter.

A separate marketing study has been initiated by an external consultant for the offtake of the barite by-product. The study targets specifically the sale of barite into the oil and gas drilling services markets of the Middle East, Americas and Europe, as well as the global chemicals markets. Analysis has indicated that these are the most viable markets for the barite by-product from the Vares Silver Project. A confidentiality agreement has been signed with a European chemical grade barite refiner, with samples provided for initial mineralogical analysis and beneficiation test-work.

### *Zinc Concentrate Treatment Charge Market Update*

As reported in recent media, the zinc concentrate market is experiencing a tightening, which has resulted in a significant fall in treatment charges ("TC") over the past 12 months. On 07 April 2021, Fastmarkets reported that the spot zinc concentrate TC (CIF China) ranges from US\$60 to US\$74 per tonne. This is substantially lower than the 2020 contractual high of US\$300 per tonne. The Project PFS used a TC of US\$230 per tonne of zinc concentrate. Therefore, the current spot TC is 67-74% lower than that used in the Vares Project PFS. It is estimated in the PFS that over the life of mine the Project will produce 655,224 dmt of zinc concentrate and is attributable to circa 30% of Project revenue. The treatment charges for the silver and lead concentrates are not expected to have materially altered since the PFS was completed.



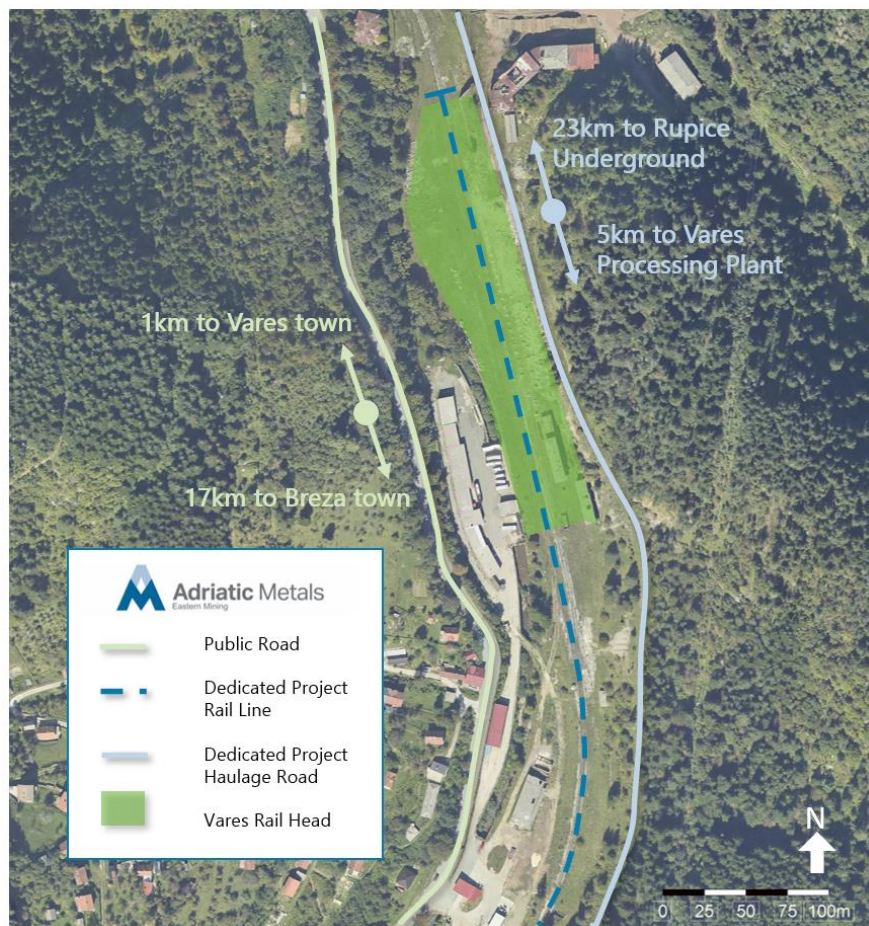
## Logistics

A logistics study has been initiated to confirm the most effective routes to market for the DFS. The study includes the shipping of the multiple concentrate streams to end product off-takers. The study also includes the use of the Adriatic ports of Ploce and Rijeka in Croatia. Discussions have been initiated with major shipping lines regarding the loadout and sea freight of concentrate from these ports based on a single source supplier for the complete logistics route.

## Infrastructure

### Rail

The Company is in advanced discussions with state-owned railway company, Railways Federation Bosnia and Herzegovina ("Railways FBiH"). Railways FBiH own the railway line and rail infrastructure in Vares, as well as the surrounding land around the terminal that the Company proposes to use for temporary storage and loading of containers onto the wagons ("Vares Rail Head").



**Figure 4. Plan view of the Vares Rail Head, Vares**

The scope in discussion involves Railways FBiH recommissioning the 17km stretch of line from Breza to Vares, providing the Company with locomotives and rolling stock on an ongoing basis, as well as conducting ongoing maintenance of the rail infrastructure and rolling stock as required. The line between Breza and Podlugovi, where the line from Vares and Breza connects into the electrified Bosnian rail network, is currently active.



Preliminary discussions with Railways FBiH confirm that the existing rail infrastructure is in good condition and is capable of supporting the Vares Project's operational requirements in terms of weight, volume, capacity and duration, with minimal additional investment required by the Company. Each train load will transport concentrate across 18 wagons, with a maximum of two complete train will be loaded per day.

The Vares Majdan station, located 1km south of the Vares Rail Head may also be utilised for holding inbound rolling stock, as well as for marshalling and temporary storage as required. The Vares Majdan station has capacity to hold circa 30 containers, double stacked if required, as well as 18 wagons. The railway line from Breza to Vares Majdan was last used in 2012.

Following the conclusion of an executed agreement between Eastern Mining & Railways FBiH, which is expected in due course, reconditioning of the line is expected to commence immediately thereafter. The Company will update the market on further discussions and agreements made with Railways FBiH in due course.

### *Road*

A total of 28km of haulage road is required for the Project. The route utilises 13km of pre-existing forestry roads that will be upgraded, however in order to avoid dwellings and villages, 15km of new road will be constructed. The haulage road's route has been finalised and surveying has commenced. Based on the work conducted to date, no significant bridge construction or major civil works are required.

### *Water*

The nearby Mala Rijeka will be the primary raw water source for the Vares Processing Plant, as described in the PFS, with a raw water storage pond placed upstream of the Old Processing Plant Site's historical tailings dam. Further refinements have been made on raw water storage pond, with its new location now downstream of the Old Processing Plant Site's historical tailings dam. It will be closer to the Vares Processing Plant and also smaller in size.

Supporting the primary water supply, a secondary raw water source has been secured using a pre-existing pipeline that served the Old Processing Plant Site. A contract has been agreed with local services provider, JKP Vares, to supply potable water at flow rate of eight litres per second.

## **Human Resource Development**

Hiring continues to occur aggressively, with a total employee count of 78. To support the continued growth in the workforce, the Company has appointed human resource consultants Globe 24-7. Globe 24-7, who are mining industry specialists, will support the Project's hiring process as well as creating and implementing its Human Resources Framework and Workforce Development Program.

### *Vares Project Key Appointments*

Adriaan Van der Merwe has been appointed as Processing Manager. Mr. Van der Merwe has 12 years' operational experience in metallurgical and mineral processing, as well as 18 years' experience in project management, commissioning and mineral processing advisory. He has a Bachelors and Masters Engineering Degree in Extractive Metallurgy.

Mark Richards has been appointed as Logistics and Procurement Manager. Mr Richards has over 25 years of logistics, procurement and project management experience, in both military and commercial environments. His





18-year career as a British Army Officer in The Royal Logistic Corps included deployment to the Adriatic ports in Croatia, as well as managing various supply-chain locations throughout Bosnia and Kosovo.

#### *Raska Project Key Appointment*

Jelena Aleksić has been appointed as General Manager, Serbia. She joins Adriatic from Rio Tinto, where she led the external affairs team for their Jadar lithium-borate project in Western Serbia. Ms Aleksić is a corporate relations professional with 20 years of experience in government relations, public affairs and communications. She has also held the position of Director Corporate Affairs for Philip Morris in Serbia and Montenegro and worked for the European Commission as a Special UNDP Advisor for the EU to the Serbian Finance Ministry. Ms Aleksić has a Masters and PhD degree in Economics

## **CORPORATE**

### **Vares Project Financing**

The Company has received several non-binding term sheets for the Vares Project Financing. The term sheets have been received from a number of banks, as well as alternative financiers. The Company will continue to review these options to ensure that financing occurs in the best interest of shareholders. The Company will update the market as the process advances.

### **Corporate Appointment**

The Company has appointed Thomas Horton as Head of Corporate Development & Investor Relations. He joins Adriatic from Giyani Metals Corp, where he was the Vice President for Business Development. Mr. Horton has 14 years of mining industry experience and has held various roles in project engineering, corporate broking, and corporate development. Mr. Horton has a Masters degree in mechanical engineering from the University of Manchester and an MBA from London Business School.

### **Appointment of Joint Corporate Broker**

The Company has appointed RBC Capital Markets as the Company's Joint Corporate Broker, effective 30 March 2021. RBC Capital Markets will work alongside the Company's existing Joint Corporate Brokers, Stifel Nicolaus Europe Limited and Canaccord Genuity.



Authorised by, and for further information please contact:

Paul Cronin

Managing Director & CEO

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

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## COMPETENT PERSONS REPORT

The information in this report which relates to exploration results is based on information compiled by Mr Phillip 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 "Australian Code of 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.

## ABOUT MINING PLUS

Mining Plus is a leading mining technical services provider that specialises in geological, mining engineering, geotechnical engineering, mine ventilation and operational management. Mining Plus is part of the Byrnegut Group of Companies. Byrnegut is one of the world's leading underground mining contractors.

## ABOUT WARDELL ARMSTONG INTERNATIONAL

Wardell Armstrong are a multidisciplinary Environmental, Engineering, and Mining consultancy working in the Infrastructure & Utilities, Property & Development, and Mining & Minerals Sectors. Its history dates back over 180 years and has a reputation for high quality service, both in the UK and internationally.

## ABOUT AUSENCO LIMITED



Ausenco Limited is a global company providing consulting, engineering, project delivery and asset operations, management and optimisation solutions to the minerals & metals, oil & gas and industrial sectors. Headquartered out of Brisbane, Australia the global team is based across 26 offices in 14 countries, as well as many project locations.

Ausenco were the appointed engineering consultants that produced the Vares Silver Project PFS, released in October 2020.

### ABOUT GLOBE 24-7

Since 2003, Globe 24-7 (Globe) has been conducting human resource consulting & recruitment assignments for international mining, power & energy companies around the world. Globe's goal is to partner with companies who seek to build great teams with contemporary, creative and custom-fit human resource and recruitment solutions. Globe primarily works with small & mid-tier organizations through its HR Consulting, RPO, Search, Training and HR Systems divisions.

### ABOUT ADRIATIC METALS

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

The Vares project's captivating economics and impressive resource inventory have attracted Adriatic's highly experienced team, which is expediting exploration efforts to expand the current JORC resource. Results of a recent pre-feasibility study announced on 15 October 2020 indicate a post-tax NPV8% of US\$1,040 million and IRR of 113%. Leveraging its first-mover advantage, Adriatic is rapidly advancing the project into the development phase and through to production with significant cornerstone investment of US\$28 million from Queen's Road Capital Investment and EBRD.

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. There have been no material changes to the assumptions and technical parameters on the updated Mineral Resource Estimate announced on 1 September 2020 and these assumptions continue to apply.

Adriatic Metals acquired TSX-listed Tethyan Resource Corp in 2020, to advance the former Kizevak and Sastavci polymetallic mines in the Raska District, southern Serbia.

### DISCLAIMER

Forward-looking statements are statements that are not historical facts. Words such as "expect(s)", "feel(s)", "believe(s)", "will", "may", "anticipate(s)", "potential(s)" and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to statements regarding future production, resources or reserves and exploration results. All of such statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond the control of the Company, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include, but are not limited to: (i) those relating to the interpretation of drill results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations, (ii) risks relating to possible variations in reserves, grade, planned mining dilution and ore loss, or recovery rates and changes in project parameters as plans continue to be refined, (iii) the potential for delays in exploration or development activities or the completion of feasibility studies, (iv) risks related to commodity price and foreign exchange rate fluctuations, (v) risks related to failure to obtain adequate financing on a timely basis and on acceptable terms or delays in obtaining governmental approvals or in the completion of development or construction activities, and (vi) other risks and uncertainties related to the Company's prospects, properties and business strategy. Our audience is cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof, and we do not undertake any obligation to revise and disseminate forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of or non-occurrence of any events.