

16 JULY 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

QUARTERLY ACTIVITIES REPORT

For the 3 months ended 30 June 2021
("Q2" or "Quarter")

PROGRESS HIGHLIGHTS IN THE QUARTER

- Vares Silver Project, Bosnia & Herzegovina:
 - Urban Planning Permit for the Rupice underground deposit received.
 - Demolition of the historic processing plant surface infrastructure and geotechnical drilling program to test the structural integrity of the original concrete pad completed.
 - Rupice Exploitation Permit on course to be received during Q3 2021.
 - Exploration drilling has re-commenced at Rupice.
 - Exploration permit received for the additional 32km² of concession area granted to the Company in September 2020 and initial results were received from an airborne geophysical survey across this area.
- Adriatic Foundation established as a charitable trust in Bosnia & Herzegovina with the objective of supporting the communities around the Vares Silver Project to create a positive long-term legacy.
- Raska Project, Serbia:
 - Completed more than 6,500 meters of exploration drilling.

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

"During the second quarter of 2021, we received the Urban Planning Permit for the Rupice underground deposit, which is an important permit and significant step forward in the development of the Vares Silver Project. This marked the penultimate step in completing the permitting requirements to commence construction. In addition, we received an Exploration Licence for 32km² of additional concession areas along the 22km of strike length, which we look forward to systematically exploring."

One of our key values at Adriatic Metals is to align the Company with the aspirations of our communities. The establishment of the Adriatic Foundation shows a strong commitment to those values by our Board, management and staff. We hope that the Foundation will draw support from our key partners in-country and global suppliers to promote development across our communities."

This is a transformational year for the Vares Silver Project and we look forward to the completion of the Definitive Feasibility Study within a matter of weeks."



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 30 June 2021 ("Q2" or "Quarter").

1. Vares Silver Project Operations and Corporate Update

On 19 April 2021, the Company provided a Vares Silver Project Operations and Corporate Update, which included the following highlights:

- Demolition of the Old Processing Plant Site nears completion. A geotechnical drilling program to test the structural integrity of the original concrete pad has been completed.
- 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.
- 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.

2. Vares Project Further Permitting Approval

On 4 June 2021, the Company announced that it had received the Urban Planning Permit ("UPP") for the Rupice underground deposit ("Rupice"), from the Bosnian Federal Ministry of Spatial Planning. The approval reflects the strong support for the Vares Silver Project from both Government and local stakeholders, which were actively engaged throughout the application process.

The Company has since applied to the Federal Ministry of Energy, Mines and Infrastructure ("FMERI") for the Rupice Exploitation Permit, which is a technically focussed procedure, representing the last remaining permit required in order for construction to commence and gives Eastern Mining, the Company's wholly owned Bosnian subsidiary, the right to mine and process ore, from Rupice and Veovaca, in accordance with the Concession Agreement and Elaborate of Ore Reserves.

3. Vares Project New Concession Area Exploration Permit & Project-Wide Geophysical Survey Results

On 7 June 2021, the Company announced that it had received the exploration permit in respect of the 32km² extension to the concession, which had been awarded in September 2020, comprising of Semizova Ponikva, Brezik and Vares East.

Additionally, the Company advised that the initial results from the recent heliborne magnetics and radiometric survey covering the total concession area had been received with data analysis and interpretation ongoing.



4. Formation of Adriatic Foundation

On 9 June 2021, the Company announced the incorporation of a charitable trust registered in the Federation of Bosnia and Herzegovina, called the Adriatic Foundation (the “Foundation”).

Objective of the Foundation

The Foundation has been set up with the objective of supporting the communities around the Vares Silver Project through initiatives designed to create a positive long-term legacy, as well as alignment between the Company and the communities that the Foundation supports. The initiatives are specifically focussed on improving education, healthcare and environmental protection (collectively, the “Foundation Objectives”).

Education

The Foundation will support local youth education programmes with courses and activities to support further education, as well as developing the broader set of skills required for the job market and professional development.

Healthcare

The Foundation will promote the awareness of disease prevention and improve local primary healthcare.

Environment

The Foundation will improve awareness of the importance of conservation and environmental protection. It will do this by supporting initiatives focussed on the transition to technologies and renewable energy resources that reduce pollution, as well as support projects that address key environmental issues of common interest.

Management of the Foundation

The Foundation will be managed by a Board of Trustees, who are representatives of the local communities surrounding the Vares Silver Project. The Trustees will each have a tenure of 4 years. The Board of Trustees will meet quarterly to discuss and approve submitted proposals that meet the Foundation Objectives.

Funding of the Foundation

The Foundation’s programme funding will be primarily received through grants – i.e. non-repayable funding. Adriatic Metals will provide an initial sum of €100,000 to the Foundation, as well as an ongoing commitment of 0.25% of profits from its operations in Bosnia & Herzegovina. Sanela Karic, Non-Executive Director of Adriatic Metals, as referred to in Adriatic Metal’s 2020 Annual Report, has pledged her Directors fees from March to June 2021, and Paul Cronin, CEO and MD of Adriatic has also pledged to give 250,000 of his personal shares in Adriatic Metals to the Foundation. The Foundation will seek contributions from other individuals, companies and institutions to co-fund programmes that support the Foundations Objectives. To date, the Foundation has received additional soft commitments of over €400,000.



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)	2,546
Exploration & Evaluation (expensed)	708
Staff costs	597
Administration and corporate costs	684
Property, plant and equipment acquisitions	25
Interest paid	307
Other – VAT Refunds	<u>(35)</u>
Total	<u>£ 4,832</u>

6. Payments to Related Parties

During the Quarter, Adriatic paid an aggregate total of £105k 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 30 June 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 does not hold an equity interest in Deep Research d.o.o. but has an option agreement pursuant to which it may acquire the entire share capital of Deep Research d.o.o..

	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
				Drosovack - 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:

Paul Cronin

Managing Director & CEO

info@adriaticmetals.com

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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.



Rule 5.5

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")

30 JUNE 2021

Consolidated statement of cash flows	(a) Current quarter GBP'000	(b) Year to date (6 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)	(708)	(1,199)
(b) development	0	0
(c) production	0	0
(d) staff costs	(597)	(1,094)
(e) administration and corporate costs	(684)	(2,024)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	0	0
1.5 Interest and other costs of finance paid	(307)	(718)
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	0	0
1.8 Other - VAT refund	35	59
1.9 Net cash from / (used in) operating activities	(2,261)	(4,976)



Consolidated statement of cash flows		(a) Current quarter GBP'000	(b) Year to date (6 months) GBP'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	0	(1,189)
	(b) tenements	0	0
	(c) property, plant and equipment	(25)	(163)
	(d) exploration & evaluation (if capitalised)	(2,546)	(3,859)
	(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	(2,571)	(5,211)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	605	605
3.2	Proceeds from issue of convertible debt securities	0	0
3.3	Proceeds from exercise of options and warrants	705	1,191
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(36)	(156)
3.5	Proceeds from borrowings	0	0
3.6	Repayment of borrowings	0	0
3.7	Transaction costs related to loans and borrowings	0	(143)
3.8	Dividends paid	0	0



Consolidated statement of cash flows		(a) Current quarter GBP'000	(b) Year to date (6 months) GBP'000
3.9	Other (Pre-acquisition loan to Tethyan)	0	0
3.10	Net cash from / (used in) financing activities	1,274	1,497

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	24,031	29,249
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,261)	(4,976)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,571)	(5,211)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,274	1,497
4.5	Effect of movement in exchange rates on cash held	364	278
4.6	Cash and cash equivalents at end of period	20,837	20,837

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	20,837	24,031
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)	20,837	24,031



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	105
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)	(2,261)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(2,546)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(4,807)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	20,837
8.5	Unused finance facilities available at quarter end (Item 7.5)	0
8.6	Total available funding (Item 8.4 + Item 8.5)	20,837
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	4.3
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: 15 July 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.