

Registered number: 01682644

**ADRIATIC METALS LIMITED AND
SUBSIDIARY UNDERTAKINGS**

**CONSOLIDATED FINANCIAL
STATEMENTS**

**PERIOD FROM 3 FEBRUARY 2017 TO
30 JUNE 2017**

**LUBBOCK FINE
Chartered Accountants
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB**

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ADRIATIC METALS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

P Cronin
E De Mori
C Morgan

Registered office

10 Pine House
The Square
Stow On The Wold
Gloucestershire
United Kingdom
GL54 1AF

Auditor

Lubbock Fine
Chartered Accountants
& Statutory Auditor
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB

ADRIATIC METALS LIMITED

DIRECTORS' REPORT

PERIOD ENDED 30 JUNE 2017

The directors have pleasure in presenting their report and the consolidated financial statements of the Group for the period ended 30 June 2017. The consolidated financial statements comprise the financial statements of Adriatic Metals Limited, "the Company", and its subsidiary undertakings.

DIRECTORS

The directors who served the Company during the year were as follows:

P Cronin (Appointed 3 February 2017)
E De Mori (Appointed 10 August 2017)
C Morgan (Appointed 16 February 2017, resigned 10 August 2017)
M Bosnjakovic (Appointed 17 February 2017, resigned 27 February 2017)

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) and applicable UK Company law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ADRIATIC METALS LIMITED

DIRECTORS' REPORT

PERIOD ENDED 30 JUNE 2017

AUDITOR

Lubbock Fine are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

The directors at the date of the approval of this report confirm that:

- there is no relevant audit information of which the Group's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

SMALL COMPANIES NOTE

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 412A of the Companies Act 2006.

Signed on behalf of the directors

Mr P Cronin

Director

Approved by the director on

ADRIATIC METALS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ADRIATIC METALS LIMITED

PERIOD ENDED 30 JUNE 2017

We have audited the Group and Company financial statements of Adriatic Metals Limited for the 5 month period ended 30 June 2017. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and Company's affairs as at 30 June 2017 and of the Group's profit for the year then ended;
- the Group and Company's financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with those financial statements and this report has been prepared in accordance with applicable legal requirements.

ADRIATIC METALS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ADRIATIC METALS LIMITED

PERIOD ENDED 30 JUNE 2017

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Stephen Banks (Senior Statutory Auditor)

For and on behalf of

Lubbock Fine

Chartered Accountants
& Statutory Auditor

Paternoster House
65 St Paul's Churchyard
London EC4M 8AB

Date:

ADRIATIC METALS LIMITED**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME****PERIOD ENDED 30 JUNE 2017**

		Period from 3 Feb 2017 to 30 Jun 2017 £
	Note	
REVENUE		
Sale of services		1,519
GROSS PROFIT		<u>1,519</u>
Administrative expenses		(111,461)
OPERATING LOSS		<u>(109,942)</u>
Finance costs	5	(7,365)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS		<u>(117,307)</u>
Tax	6	-
LOSS FROM CONTINUING OPERATIONS		<u><u>(117,307)</u></u>
Other comprehensive income	7	25,402
TOTAL COMPREHENSIVE INCOME		<u><u>(91,905)</u></u>

All the activities of the group are classed as continuing.

The Company has taken advantage of section 408 of the Companies Act 2006 not to publish its own statement of profit or loss.

The notes on pages 11 to 30 form part of these financial statements.

ADRIATIC METALS LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2017**

		Period from 3 Feb 2017 to 30 Jun 2017 £
	Note	
NON-CURRENT ASSETS		
Intangible assets	9	282,107
Tangible assets	8	585,686
		<u>867,793</u>
CURRENT ASSETS		
Inventories		22
Trade and other receivables	10	17,688
Cash and cash equivalents		311,470
		<u>329,180</u>
TOTAL ASSETS		<u><u>1,196,973</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	12	856,323
Share premium	12	406,183
Other reserves	13	25,402
Retained deficit	13	(117,307)
TOTAL EQUITY		<u>1,170,601</u>
CURRENT LIABILITIES		
Trade and other payables	11	26,372
TOTAL EQUITY AND LIABILITIES		<u><u>1,196,973</u></u>

The notes on pages 11 to 30 form part of these financial statements.

These financial statements were approved by the board and were signed on its behalf by:

Mr P Cronin
Director

Date:

Company Registration Number: 01682644

ADRIATIC METALS LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2017**

		Period from 3 Feb 2017 to 30 Jun 2017 £
NON-CURRENT ASSETS	Note	
Investments	4	883,545
Intangible assets	9	73,412
Tangible assets	8	360
		<hr/> 957,317
CURRENT ASSETS		
Cash and cash equivalents		<hr/> 226,830
TOTAL ASSETS		<hr/> 1,184,147
Equity		
Share capital	12	856,323
Share premium	12	406,183
Retained deficit		(92,018)
TOTAL EQUITY		<hr/> 1,170,488
CURRENT LIABILITIES		
Trade and other payables	11	<hr/> 13,659
TOTAL EQUITY AND LIABILITIES		<hr/> 1,184,147

These financial statements were approved by the board and were signed on its behalf by:

Mr P Cronin
Director

Date:

Company Registration Number: 01682644

The notes on pages 11 to 30 form part of these financial statements.

ADRIATIC METALS LIMITED**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****PERIOD ENDED 30 JUNE 2017**

	Share Capital £	Share Premium £	Retained earnings £	Other Reserves (Foreign currency translation reserves) £	Total £
As at 3 February 2017	-	-	-	-	-
Loss for the period		-	(117,307)	-	(117,307)
Issue of share capital	856,323	406,183	-	-	1,262,506
Other comprehensive income	-	-	-	25,402	25,402
At at 30 June 2017	<u>856,323</u>	<u>406,183</u>	<u>(117,307)</u>	<u>25,402</u>	<u>1,170,601</u>

The notes on pages 11 to 30 form part of these financial statements.

ADRIATIC METALS LIMITED**CONSOLIDATED STATEMENT OF CASH FLOWS****PERIOD ENDED 30 JUNE 2017**

	Period ended 30 Jun 17 £
Loss	(117,307)
Foreign exchange difference on consolidation	25,402
Depreciation and amortisation	2,394
Working capital adjustments:	
Increase in trade and other receivables	(17,210)
Increase in inventories	(22)
Increase in trade and other payables	11,858
Net cash flows used in operating activities	<u>(94,885)</u>
Investing activities	
Purchase of property, plant and equipment	(39,920)
Purchase of intangible assets	(176,624)
Acquisition of subsidiary undertaking	(426,624)
Net cash flows used in investing activities	<u>(643,168)</u>
Financing activities	
Issue of share capital	1,049,523
Net cash flows generated from financing activities	<u>1,049,523</u>
Net increase in cash and cash equivalents	311,470
Cash and cash equivalents at 3 Feb 2017	-
Cash and cash equivalents at 30 June 2017	<u><u>311,470</u></u>

The notes on pages 11 to 30 form part of these financial statements.

1. CORPORATE INFORMATION

The consolidated financial statements present the financial information of Adriatic Metals and its subsidiaries (collectively, the Group) for the year ended 30 June 2017. Adriatic Metals Limited (the Company or the parent) is a limited company incorporated in England & Wales. The registered office is located at 10 Pine House, The Square, Stow On The Wold, Gloucestershire, United Kingdom, GL54 1AF.

The Group is principally engaged in the exploration for metals for future mining activity.

Information on the Group's structure is provided in Note 4.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs"), and with the Companies Act 2006.

The consolidated financial statements have been prepared on a historical cost basis.

The principal accounting policies adopted by the Group in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in British Pounds (£) rounded to the nearest pound.

Going concern

The Group incurred a loss of £117,307 in the period however the Group also had a net asset position at the balance sheet date.

The Company and Group meet their day to day working capital requirements by support of investors. The directors believe it is appropriate to prepare the financial statements on a going concern basis which assumes that the Company and the Group will continue in operational existence for the foreseeable future on the basis of the Group's plans and the continued support of investors

If the Company and Group are unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of the assets to their recoverable amounts, provide for further liabilities that might arise, and reclassify non-current assets and liabilities to current.

2. ACCOUNTING POLICIES (*continued*)

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interest is recognised in equity of the parent in transactions where the non-controlling interest is acquired or sold without loss of control. The Group has elected to recognise this effect in retained earnings.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised as the non-controlling interest over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

2. ACCOUNTING POLICIES (*continued*)

Foreign currencies

The Group's consolidated financial statements are presented in GBP (£), which is considered to be the Group's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency which is the currency of the primary economic environment in which the entity operates ('the local functional currency').

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into GBP (£) at the rate of exchange prevailing at the reporting date and their income statements are translated at average exchange rates prevailing during the period. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

2. ACCOUNTING POLICIES (*continued*)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. ACCOUNTING POLICIES (*continued*)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

2. ACCOUNTING POLICIES (*continued*)

Deferred tax (*continued*)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Exploration and Evaluation Expenditure

Pre-licence costs

Pre-licence costs relate to costs incurred before the Group has obtained legal rights to explore in a specific area. Such costs may include the acquisition of exploration data and the associated costs of analysing that data. These costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analysing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the Group concludes that a future economic benefit is more likely than not to be realised. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

Exploration and Evaluation Expenditure (*continued*)

In evaluating whether the expenditures meet the criteria to be capitalised, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Exploration and evaluation expenditure incurred on licences where a JORC-compliant resource has not yet been established is expensed as incurred until sufficient evaluation has occurred in order to establish a JORC-compliant resource.

Costs expensed during this phase are included in 'Other operating expenses' in the statement of profit or loss and other comprehensive income.

Upon the establishment of a JORC-compliant resource (at which point, the Group considers it probable that economic benefits will be realised), the Group capitalises any further evaluation expenditure incurred for the particular licence as exploration and evaluation assets up to the point when a JORC-compliant reserve is established. Capitalised exploration and evaluation expenditure is considered to be an intangible asset.

Exploration and evaluation assets acquired in a business combination are initially recognised at fair value, including resources and exploration potential that is considered to represent value beyond proven and probable reserves. Similarly, the costs associated with acquiring an exploration and evaluation asset (that does not represent a business) are also capitalised.

They are subsequently measured at cost less accumulated impairment. Once JORC-compliant reserves are established and development is sanctioned, exploration and evaluation assets are tested for impairment and transferred to 'Mines under construction' which is a sub-category of 'Mine properties'. No amortisation is charged during the exploration and evaluation phase.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in profit or loss as incurred.

Property, plant and equipment transferred from acquisitions are initially measured at the fair value at the date on which control is obtained.

Land and buildings are measured at cost less accumulated depreciation on buildings and impairment losses.

Depreciation is calculated on a straight-line at the following rates per each category of asset:

- Land & buildings – Not depreciated
- Plant & equipment – 15%
- Office Equipment – 15%
- Vehicles – 15%
- Assets under construction – Not depreciated

2. ACCOUNTING POLICIES (*continued*)

Property, plant and equipment (*continued*)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit and loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in the income statement as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Amortisation is calculated on a straight-line at the following rates per each category of asset:

Patents & Licenses – 5%

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

2. ACCOUNTING POLICIES (*continued*)

Provisions and contingencies

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.

Contingent liabilities recognised in a business combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the requirements for revenue recognition.

Standards issued but not yet effective

Standards issued and not yet effective for the Group's financial statements for the period ended 30 June 2017 are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

2. ACCOUNTING POLICIES (*continued*)

New and amended standards and interpretations

IFRS 9 Financial Instruments

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

IFRS 15 Revenue from Contracts with Customers

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

IFRS 16 Leases

IFRS 16, 'Leases' deals with recognition, measurement, presentation and disclosure of leases. The standard provides a single accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less. Lessors continue to classify leases as operating or finance with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted.

2. ACCOUNTING POLICIES (*continued*)

Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires Management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses, and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. 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, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, the following is an area where particular judgement is required:

Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analysing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the Group concludes that a future economic benefit is more likely than not to be realised. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalised, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Exploration and evaluation expenditure incurred on licences where a JORC-compliant resource has not yet been established is expensed as incurred until sufficient evaluation has occurred in order to establish a JORC-compliant resource. Costs expensed during this phase are included in 'Other operating expenses' in the statement of profit or loss and other comprehensive income.

3. SEGMENT INFORMATION

It is the opinion of the directors that the operations of the Group represent one segment, as they are treated as such when evaluating performance.

4. GROUP INFORMATION

The consolidated financial statements of the Group include:

Name	Principal activities	Country of Incorporation	% equity interest
Eastern Mining d.o.o	Mining exploration	Bosnia and Herzegovina	100

ACQUISITIONS IN PERIOD ENDED 30 JUNE 2017

On 28 February 2017, the Group acquired 100% of the share capital of Eastern Mining d.o.o ("Eastern Mining"), a company holding certain exploration licences, for €500,000 cash and 4,000,000 shares in the Company. Eastern Mining has been acquired to gain access to additional mineral reserves for the Group.

Acquisition date fair values

The provisional fair values of identifiable assets acquired and liabilities assumed of Eastern Mining as at the date of acquisition were as follows:

	Fair value £
Assets	
Intangible Assets	107,453
Property, plant and equipment	546,190
Other current assets	478
Cash and cash equivalents	(657)
	<hr/> 653,464
Liabilities	
Trade and other payables	(14,514)
	<hr/>
Total identifiable assets at fair value	<hr/> 638,950 <hr/>

Due to the early stage nature of the company acquired and the nature of its operations, the directors do not consider that any goodwill was acquired on acquisition. Any excess in amount paid is reflected in a fair value uplift in the licenses acquired.

ADRIATIC METALS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE PERIOD ENDED 30 JUNE 2017**

4. GROUP INFORMATION (continued)**Acquisition-date fair value of consideration transferred**

	£
Cash paid	425,967
Fair Value of shares issued	212,983
	<hr/>
Consideration transferred	638,950
	<hr/>

The cash outflow on acquisition is as follows:

	£
Net cash acquired with the subsidiary	(657)
Cash paid	(425,967)
	<hr/>
Net consolidated cash outflow	(426,624)
	<hr/>

From the date of acquisition on 28 February 2017 to 30 June 2017, Eastern Mining contributed £1,519 to Group revenue and (£25,289) to Group loss. Due to the timing of the acquisition if this had taken place at the beginning of the period, Group revenue and loss for the period to 30 June 2017 would have been materially the same as that shown in the Consolidated Statement of Comprehensive Income.

COMPANY INVESTMENTS

	Investment in subsidiaries £
COST	
Acquisition of subsidiary undertaking	638,950
Additions	244,595
	<hr/>
At 30 June 2017	883,545
	<hr/>

ADRIATIC METALS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE PERIOD ENDED 30 JUNE 2017**

5. FINANCE COSTS

	2017
	£
Foreign currency movements	7,365
	<u>7,365</u>

6. INCOME TAX

No liability to UK corporation tax arose on ordinary activities for the period ended 30 June 2017.

Reconciliation of total tax charge included in profit and loss

	£
Loss before tax	(117,307)
Loss multiplied by the standard rate of corporation tax in the UK 19%	<u>(22,288)</u>
Effects of:	
Losses carried forward	22,288
Total tax charge	<u>-</u>

7. OTHER COMPREHENSIVE INCOME

	2017
	£
Foreign exchange differences on consolidation	<u>25,402</u>

ADRIATIC METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2017

8. TANGIBLE ASSETS

GROUP	Land & buildings £	Plant & equipment £	Assets under Construction £	Total £
COST				
At 3 February 2017	-	-	-	-
Acquired through acquisition	546,190	-	-	546,190
Additions	-	19,055	4,693	23,748
Foreign exchange differences	16,172	-	-	16,172
At 30 June 2017	562,362	19,055	4,693	586,110
DEPRECIATION				
At 3 February 2017	-	-	-	-
Charge for the year	-	424	-	424
At 30 June 2017	-	424	-	424
NET BOOK VALUE				
At 30 June 2017	562,362	18,631	4,693	585,686
COMPANY	Land & buildings £	Plant & equipment £	Assets under Construction £	Total £
COST				
At 3 February 2017	-	-	-	-
Additions	-	360	-	360
Disposals	-	-	-	-
At 30 June 2017	-	360	-	360
DEPRECIATION				
At 3 February 2017	-	-	-	-
Charge for the year	-	-	-	-
On disposals	-	-	-	-
At 30 June 2017	-	-	-	-
NET BOOK VALUE				
At 30 June 2017	-	360	-	360

ADRIATIC METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2017

9. INTANGIBLE ASSETS

GROUP	Exploration & Evaluation Assets £	Patents and Licenses £	Total £
COST			
At 3 February 2017	-	-	-
Acquired through acquisition	-	107,453	107,453
Additions	172,337	-	172,337
Foreign exchange differences	-	4,287	4,287
At 30 June 2017	172,337	111,740	284,077
AMORTISATION AND IMPAIRMENT			
At 3 February 2017	-	-	-
Charge for the year	-	1,970	1,970
At 30 June 2017	-	1,970	1,970
NET BOOK VALUE			
At 30 June 2017	172,337	109,770	282,107

COMPANY	Exploration & Evaluation Assets £	Patents and Licenses £	Total £
COST			
At 3 February 2017	-	-	-
Additions	73,412	-	73,412
Disposals	-	-	-
Acquired through acquisition	-	-	-
At 30 June 2017	73,412	-	73,412
AMORTISATION AND IMPAIRMENT			
At 3 February 2017	-	-	-
Charge for the year	-	-	-
On disposals	-	-	-
Foreign exchange differences	-	-	-
At 30 June 2017	-	-	-
NET BOOK VALUE			
At 30 June 2017	73,412	-	73,412

ADRIATIC METALS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE PERIOD ENDED 30 JUNE 2017**

10. TRADE AND OTHER CURRENT RECEIVABLES

	GROUP	COMPANY
	2017	2017
	£	£
VAT	17,245	-
Other receivables	443	-
	<u>17,688</u>	<u>-</u>

11. TRADE AND OTHER CURRENT PAYABLES

	GROUP	COMPANY
	2017	2017
	£	£
Trade payables	10,933	9,159
Accruals	4,500	4,500
Taxes Payable	1,436	-
Other payables	9,503	-
	<u>26,372</u>	<u>13,659</u>

12. SHARE CAPITAL

GROUP AND COMPANY	2017
	£
Issued and fully paid	
16,157,036 Ordinary shares of £0.053 each	<u>856,323</u>

On incorporation the company issued 20 shares of par value £0.0005 at £0.01 each, totalling £0.20.

On 10 February 2017 the company issued 12 million shares with par value of 0.05342, totalling £638,950.

On 13 February 2017, the company cancelled the 20 shares of par value £0.0005.

On 20 February 2017 the company issued 200,000 shares with par value of 0.05342 at £0.15, totalling £30,000.

On 28 February the company issued 5,787 shares with par value of 0.05342 at £0.15, totalling £868.

On 31 March the company issued 122,444 shares with par value of 0.05342 at £0.15, totalling £18,367.

In April 2017 the company issued a further 3,828,805 shares with par value of 0.05342 at £0.15 totalling £574,321.

13. RETAINED EARNINGS AND RESERVES

GROUP	Retained Earnings £	Other Reserves £	Total £
At 3 February 2017			
Loss for the year	(117,307)	-	(117,307)
Foreign exchange gain on consolidation	-	25,402	25,402
	<u>(117,307)</u>	<u>25,402</u>	<u>(91,905)</u>
At 30 June 2017	<u>(117,307)</u>	<u>25,402</u>	<u>(91,905)</u>

COMPANY	Retained Earnings £	Other Reserves £	Total £
At 3 February 2017	-	-	-
Loss for the year	(92,018)	-	(92,018)
	<u>(92,018)</u>	<u>-</u>	<u>(92,018)</u>
At 30 June 2017	<u>(92,018)</u>	<u>-</u>	<u>(92,018)</u>

14. COMMITMENTS AND CONTINGENCIES

The company had no commitments as at 30 June 2017.

15. EVENTS AFTER THE REPORTING DATE

On 30 October 2017 the Company has issued a further 3,606,663 shares at £0.30 each, increasing issued share capital by £1,081,999.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**Capital risk management**

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for shareholders;
- to support the Group's growth; and
- to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Management regards total equity as capital and reserves, for capital management purposes.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (*continued*)

Financial Risk Factors

The Group is exposed to market risk, foreign currency risk, credit risk and liquidity risk. Within each of the operating subsidiaries, the entities senior management oversees the management of these risks for their operations and periodically identify measure and manage these risks. These risks are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

Given that the company is not yet selling any minerals this is not a risk that affects the company in the current year however when the company does begin to trade in minerals it is a risk that will have to be considered given the volatility of mineral prices.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's subsidiary company operating in Bosnian Mark while the Group's presentation currency is that of British Pound. If the rate of the Bosnian Mark were to increase this would have a negative impact on the turnover and profit of the Group.

See the below sensitivity analysis for details of the possible impacts.

Group Foreign currency sensitivity analysis

The following table demonstrates the sensitivity to a possible change in the Bosnian Mark exchange rates, with all other variables held constant and the impact on the Group's profit before tax to changes in the fair value of monetary assets and liabilities.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

30 June 2017	Effect on profit or loss	Effect on equity
	£	£
Increase in foreign exchange rate of 10%		
Bosnian Mark	2,299	(77,371)
Decrease in foreign exchange rate of 10%		
Bosnian Mark	(2,810)	94,566

The movement in profit or loss is a result of a change in the fair value of assets and liabilities denominated in Bosnian Mark where the functional currency of the entity is a currency other than the entity's reporting currency.

The movement in equity arises from changes in foreign currency offsetting the translation of foreign operations' net assets into £.

As can be seen from the above analysis the profit and loss would not be materially affected however equity could be affected with a slight movement in foreign exchange rates.

- **Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a customer contract leading to a financial loss. The Group is exposed to credit risk from its operating activities (trade receivables) and from its financing activities, including taxes receivable, foreign exchange transactions and other financial instruments.

- **Liquidity risk**

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company does not face significant liquidity risks and uncertainties as they are currently in a net asset position.

17. FAIR VALUE

The fair value of the Group's and Company's financial assets and financial liabilities are materially consistent with their carrying value.

Registered number: 01682644

**ADRIATIC METALS LIMITED AND
SUBSIDIARY UNDERTAKINGS**

**CONSOLIDATED FINANCIAL
STATEMENTS**

**PERIOD FROM 3 FEBRUARY 2017 TO
30 JUNE 2017**

**LUBBOCK FINE
Chartered Accountants
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB**

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ADRIATIC METALS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

P Cronin
E De Mori
C Morgan

Registered office

10 Pine House
The Square
Stow On The Wold
Gloucestershire
United Kingdom
GL54 1AF

Auditor

Lubbock Fine
Chartered Accountants
& Statutory Auditor
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB

ADRIATIC METALS LIMITED

DIRECTORS' REPORT

PERIOD ENDED 30 JUNE 2017

The directors have pleasure in presenting their report and the consolidated financial statements of the Group for the period ended 30 June 2017. The consolidated financial statements comprise the financial statements of Adriatic Metals Limited, "the Company", and its subsidiary undertakings.

DIRECTORS

The directors who served the Company during the year were as follows:

P Cronin (Appointed 3 February 2017)
E De Mori (Appointed 10 August 2017)
C Morgan (Appointed 16 February 2017, resigned 10 August 2017)
M Bosnjakovic (Appointed 17 February 2017, resigned 27 February 2017)

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) and applicable UK Company law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ADRIATIC METALS LIMITED

DIRECTORS' REPORT

PERIOD ENDED 30 JUNE 2017

AUDITOR

Lubbock Fine are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

The directors at the date of the approval of this report confirm that:

- there is no relevant audit information of which the Group's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

SMALL COMPANIES NOTE

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 412A of the Companies Act 2006.

Signed on behalf of the directors

Mr P Cronin

Director

Approved by the director on

ADRIATIC METALS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ADRIATIC METALS LIMITED

PERIOD ENDED 30 JUNE 2017

We have audited the Group and Company financial statements of Adriatic Metals Limited for the 5 month period ended 30 June 2017. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and Company's affairs as at 30 June 2017 and of the Group's profit for the year then ended;
- the Group and Company's financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with those financial statements and this report has been prepared in accordance with applicable legal requirements.

ADRIATIC METALS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ADRIATIC METALS LIMITED

PERIOD ENDED 30 JUNE 2017

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Stephen Banks (Senior Statutory Auditor)

For and on behalf of

Lubbock Fine

Chartered Accountants
& Statutory Auditor

Paternoster House
65 St Paul's Churchyard
London EC4M 8AB

Date:

ADRIATIC METALS LIMITED**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME****PERIOD ENDED 30 JUNE 2017**

		Period from 3 Feb 2017 to 30 Jun 2017 £
	Note	
REVENUE		
Sale of services		1,519
GROSS PROFIT		<u>1,519</u>
Administrative expenses		(111,461)
OPERATING LOSS		<u>(109,942)</u>
Finance costs	5	(7,365)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS		<u>(117,307)</u>
Tax	6	-
LOSS FROM CONTINUING OPERATIONS		<u><u>(117,307)</u></u>
Other comprehensive income	7	25,402
TOTAL COMPREHENSIVE INCOME		<u><u>(91,905)</u></u>

All the activities of the group are classed as continuing.

The Company has taken advantage of section 408 of the Companies Act 2006 not to publish its own statement of profit or loss.

The notes on pages 11 to 30 form part of these financial statements.

ADRIATIC METALS LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2017**

		Period from 3 Feb 2017 to 30 Jun 2017 £
	Note	
NON-CURRENT ASSETS		
Intangible assets	9	282,107
Tangible assets	8	585,686
		<u>867,793</u>
CURRENT ASSETS		
Inventories		22
Trade and other receivables	10	17,688
Cash and cash equivalents		311,470
		<u>329,180</u>
TOTAL ASSETS		<u><u>1,196,973</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	12	856,323
Share premium	12	406,183
Other reserves	13	25,402
Retained deficit	13	(117,307)
TOTAL EQUITY		<u>1,170,601</u>
CURRENT LIABILITIES		
Trade and other payables	11	26,372
TOTAL EQUITY AND LIABILITIES		<u><u>1,196,973</u></u>

The notes on pages 11 to 30 form part of these financial statements.

These financial statements were approved by the board and were signed on its behalf by:

Mr P Cronin
Director

Date:

Company Registration Number: 01682644

ADRIATIC METALS LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2017**

		Period from 3 Feb 2017 to 30 Jun 2017 £
NON-CURRENT ASSETS	Note	
Investments	4	883,545
Intangible assets	9	73,412
Tangible assets	8	360
		<hr/> 957,317
CURRENT ASSETS		
Cash and cash equivalents		<hr/> 226,830
TOTAL ASSETS		<hr/> 1,184,147
Equity		
Share capital	12	856,323
Share premium	12	406,183
Retained deficit		(92,018)
TOTAL EQUITY		<hr/> 1,170,488
CURRENT LIABILITIES		
Trade and other payables	11	<hr/> 13,659
TOTAL EQUITY AND LIABILITIES		<hr/> 1,184,147

These financial statements were approved by the board and were signed on its behalf by:

Mr P Cronin
Director

Date:

Company Registration Number: 01682644

The notes on pages 11 to 30 form part of these financial statements.

ADRIATIC METALS LIMITED**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****PERIOD ENDED 30 JUNE 2017**

	Share Capital £	Share Premium £	Retained earnings £	Other Reserves (Foreign currency translation reserves) £	Total £
As at 3 February 2017	-	-	-	-	-
Loss for the period		-	(117,307)	-	(117,307)
Issue of share capital	856,323	406,183	-	-	1,262,506
Other comprehensive income	-	-	-	25,402	25,402
At at 30 June 2017	<u>856,323</u>	<u>406,183</u>	<u>(117,307)</u>	<u>25,402</u>	<u>1,170,601</u>

The notes on pages 11 to 30 form part of these financial statements.

ADRIATIC METALS LIMITED**CONSOLIDATED STATEMENT OF CASH FLOWS****PERIOD ENDED 30 JUNE 2017**

	Period ended 30 Jun 17 £
Loss	(117,307)
Foreign exchange difference on consolidation	25,402
Depreciation and amortisation	2,394
Working capital adjustments:	
Increase in trade and other receivables	(17,210)
Increase in inventories	(22)
Increase in trade and other payables	11,858
Net cash flows used in operating activities	<u>(94,885)</u>
Investing activities	
Purchase of property, plant and equipment	(39,920)
Purchase of intangible assets	(176,624)
Acquisition of subsidiary undertaking	(426,624)
Net cash flows used in investing activities	<u>(643,168)</u>
Financing activities	
Issue of share capital	1,049,523
Net cash flows generated from financing activities	<u>1,049,523</u>
Net increase in cash and cash equivalents	311,470
Cash and cash equivalents at 3 Feb 2017	-
Cash and cash equivalents at 30 June 2017	<u><u>311,470</u></u>

The notes on pages 11 to 30 form part of these financial statements.

1. CORPORATE INFORMATION

The consolidated financial statements present the financial information of Adriatic Metals and its subsidiaries (collectively, the Group) for the year ended 30 June 2017. Adriatic Metals Limited (the Company or the parent) is a limited company incorporated in England & Wales. The registered office is located at 10 Pine House, The Square, Stow On The Wold, Gloucestershire, United Kingdom, GL54 1AF.

The Group is principally engaged in the exploration for metals for future mining activity.

Information on the Group's structure is provided in Note 4.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs"), and with the Companies Act 2006.

The consolidated financial statements have been prepared on a historical cost basis.

The principal accounting policies adopted by the Group in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in British Pounds (£) rounded to the nearest pound.

Going concern

The Group incurred a loss of £117,307 in the period however the Group also had a net asset position at the balance sheet date.

The Company and Group meet their day to day working capital requirements by support of investors. The directors believe it is appropriate to prepare the financial statements on a going concern basis which assumes that the Company and the Group will continue in operational existence for the foreseeable future on the basis of the Group's plans and the continued support of investors

If the Company and Group are unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of the assets to their recoverable amounts, provide for further liabilities that might arise, and reclassify non-current assets and liabilities to current.

2. ACCOUNTING POLICIES (*continued*)

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interest is recognised in equity of the parent in transactions where the non-controlling interest is acquired or sold without loss of control. The Group has elected to recognise this effect in retained earnings.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised as the non-controlling interest over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

2. ACCOUNTING POLICIES (*continued*)

Foreign currencies

The Group's consolidated financial statements are presented in GBP (£), which is considered to be the Group's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency which is the currency of the primary economic environment in which the entity operates ('the local functional currency').

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into GBP (£) at the rate of exchange prevailing at the reporting date and their income statements are translated at average exchange rates prevailing during the period. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

2. ACCOUNTING POLICIES (*continued*)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. ACCOUNTING POLICIES (*continued*)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

2. ACCOUNTING POLICIES (*continued*)

Deferred tax (*continued*)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Exploration and Evaluation Expenditure

Pre-licence costs

Pre-licence costs relate to costs incurred before the Group has obtained legal rights to explore in a specific area. Such costs may include the acquisition of exploration data and the associated costs of analysing that data. These costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analysing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the Group concludes that a future economic benefit is more likely than not to be realised. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

Exploration and Evaluation Expenditure (*continued*)

In evaluating whether the expenditures meet the criteria to be capitalised, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Exploration and evaluation expenditure incurred on licences where a JORC-compliant resource has not yet been established is expensed as incurred until sufficient evaluation has occurred in order to establish a JORC-compliant resource.

Costs expensed during this phase are included in 'Other operating expenses' in the statement of profit or loss and other comprehensive income.

Upon the establishment of a JORC-compliant resource (at which point, the Group considers it probable that economic benefits will be realised), the Group capitalises any further evaluation expenditure incurred for the particular licence as exploration and evaluation assets up to the point when a JORC-compliant reserve is established. Capitalised exploration and evaluation expenditure is considered to be an intangible asset.

Exploration and evaluation assets acquired in a business combination are initially recognised at fair value, including resources and exploration potential that is considered to represent value beyond proven and probable reserves. Similarly, the costs associated with acquiring an exploration and evaluation asset (that does not represent a business) are also capitalised.

They are subsequently measured at cost less accumulated impairment. Once JORC-compliant reserves are established and development is sanctioned, exploration and evaluation assets are tested for impairment and transferred to 'Mines under construction' which is a sub-category of 'Mine properties'. No amortisation is charged during the exploration and evaluation phase.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in profit or loss as incurred.

Property, plant and equipment transferred from acquisitions are initially measured at the fair value at the date on which control is obtained.

Land and buildings are measured at cost less accumulated depreciation on buildings and impairment losses.

Depreciation is calculated on a straight-line at the following rates per each category of asset:

- Land & buildings – Not depreciated
- Plant & equipment – 15%
- Office Equipment – 15%
- Vehicles – 15%
- Assets under construction – Not depreciated

2. ACCOUNTING POLICIES (*continued*)

Property, plant and equipment (*continued*)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit and loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in the income statement as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Amortisation is calculated on a straight-line at the following rates per each category of asset:

Patents & Licenses – 5%

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

2. ACCOUNTING POLICIES (*continued*)

Provisions and contingencies

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.

Contingent liabilities recognised in a business combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the requirements for revenue recognition.

Standards issued but not yet effective

Standards issued and not yet effective for the Group's financial statements for the period ended 30 June 2017 are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

2. ACCOUNTING POLICIES (*continued*)

New and amended standards and interpretations

IFRS 9 Financial Instruments

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

IFRS 15 Revenue from Contracts with Customers

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

IFRS 16 Leases

IFRS 16, 'Leases' deals with recognition, measurement, presentation and disclosure of leases. The standard provides a single accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less. Lessors continue to classify leases as operating or finance with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted.

2. ACCOUNTING POLICIES (*continued*)

Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires Management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses, and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. 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, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, the following is an area where particular judgement is required:

Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analysing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the Group concludes that a future economic benefit is more likely than not to be realised. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalised, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Exploration and evaluation expenditure incurred on licences where a JORC-compliant resource has not yet been established is expensed as incurred until sufficient evaluation has occurred in order to establish a JORC-compliant resource. Costs expensed during this phase are included in 'Other operating expenses' in the statement of profit or loss and other comprehensive income.

3. SEGMENT INFORMATION

It is the opinion of the directors that the operations of the Group represent one segment, as they are treated as such when evaluating performance.

4. GROUP INFORMATION

The consolidated financial statements of the Group include:

Name	Principal activities	Country of Incorporation	% equity interest
Eastern Mining d.o.o	Mining exploration	Bosnia and Herzegovina	100

ACQUISITIONS IN PERIOD ENDED 30 JUNE 2017

On 28 February 2017, the Group acquired 100% of the share capital of Eastern Mining d.o.o ("Eastern Mining"), a company holding certain exploration licences, for €500,000 cash and 4,000,000 shares in the Company. Eastern Mining has been acquired to gain access to additional mineral reserves for the Group.

Acquisition date fair values

The provisional fair values of identifiable assets acquired and liabilities assumed of Eastern Mining as at the date of acquisition were as follows:

	Fair value £
Assets	
Intangible Assets	107,453
Property, plant and equipment	546,190
Other current assets	478
Cash and cash equivalents	(657)
	<hr/> 653,464
Liabilities	
Trade and other payables	(14,514)
	<hr/>
Total identifiable assets at fair value	<hr/> 638,950 <hr/>

Due to the early stage nature of the company acquired and the nature of its operations, the directors do not consider that any goodwill was acquired on acquisition. Any excess in amount paid is reflected in a fair value uplift in the licenses acquired.

ADRIATIC METALS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE PERIOD ENDED 30 JUNE 2017**

4. GROUP INFORMATION (continued)**Acquisition-date fair value of consideration transferred**

	£
Cash paid	425,967
Fair Value of shares issued	212,983
	<hr/>
Consideration transferred	638,950
	<hr/>

The cash outflow on acquisition is as follows:

	£
Net cash acquired with the subsidiary	(657)
Cash paid	(425,967)
	<hr/>
Net consolidated cash outflow	(426,624)
	<hr/>

From the date of acquisition on 28 February 2017 to 30 June 2017, Eastern Mining contributed £1,519 to Group revenue and (£25,289) to Group loss. Due to the timing of the acquisition if this had taken place at the beginning of the period, Group revenue and loss for the period to 30 June 2017 would have been materially the same as that shown in the Consolidated Statement of Comprehensive Income.

COMPANY INVESTMENTS

	Investment in subsidiaries £
COST	
Acquisition of subsidiary undertaking	638,950
Additions	244,595
	<hr/>
At 30 June 2017	883,545
	<hr/>

ADRIATIC METALS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE PERIOD ENDED 30 JUNE 2017**

5. FINANCE COSTS

	2017
	£
Foreign currency movements	7,365
	<u>7,365</u>

6. INCOME TAX

No liability to UK corporation tax arose on ordinary activities for the period ended 30 June 2017.

Reconciliation of total tax charge included in profit and loss

	£
Loss before tax	(117,307)
Loss multiplied by the standard rate of corporation tax in the UK 19%	<u>(22,288)</u>
Effects of:	
Losses carried forward	22,288
Total tax charge	<u>-</u>

7. OTHER COMPREHENSIVE INCOME

	2017
	£
Foreign exchange differences on consolidation	<u>25,402</u>

ADRIATIC METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2017

8. TANGIBLE ASSETS

GROUP	Land & buildings £	Plant & equipment £	Assets under Construction £	Total £
COST				
At 3 February 2017	-	-	-	-
Acquired through acquisition	546,190	-	-	546,190
Additions	-	19,055	4,693	23,748
Foreign exchange differences	16,172	-	-	16,172
At 30 June 2017	562,362	19,055	4,693	586,110
DEPRECIATION				
At 3 February 2017	-	-	-	-
Charge for the year	-	424	-	424
At 30 June 2017	-	424	-	424
NET BOOK VALUE				
At 30 June 2017	562,362	18,631	4,693	585,686
COMPANY	Land & buildings £	Plant & equipment £	Assets under Construction £	Total £
COST				
At 3 February 2017	-	-	-	-
Additions	-	360	-	360
Disposals	-	-	-	-
At 30 June 2017	-	360	-	360
DEPRECIATION				
At 3 February 2017	-	-	-	-
Charge for the year	-	-	-	-
On disposals	-	-	-	-
At 30 June 2017	-	-	-	-
NET BOOK VALUE				
At 30 June 2017	-	360	-	360

ADRIATIC METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2017

9. INTANGIBLE ASSETS

GROUP	Exploration & Evaluation Assets £	Patents and Licenses £	Total £
COST			
At 3 February 2017	-	-	-
Acquired through acquisition	-	107,453	107,453
Additions	172,337	-	172,337
Foreign exchange differences	-	4,287	4,287
At 30 June 2017	172,337	111,740	284,077
AMORTISATION AND IMPAIRMENT			
At 3 February 2017	-	-	-
Charge for the year	-	1,970	1,970
At 30 June 2017	-	1,970	1,970
NET BOOK VALUE			
At 30 June 2017	172,337	109,770	282,107

COMPANY	Exploration & Evaluation Assets £	Patents and Licenses £	Total £
COST			
At 3 February 2017	-	-	-
Additions	73,412	-	73,412
Disposals	-	-	-
Acquired through acquisition	-	-	-
At 30 June 2017	73,412	-	73,412
AMORTISATION AND IMPAIRMENT			
At 3 February 2017	-	-	-
Charge for the year	-	-	-
On disposals	-	-	-
Foreign exchange differences	-	-	-
At 30 June 2017	-	-	-
NET BOOK VALUE			
At 30 June 2017	73,412	-	73,412

ADRIATIC METALS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE PERIOD ENDED 30 JUNE 2017**

10. TRADE AND OTHER CURRENT RECEIVABLES

	GROUP	COMPANY
	2017	2017
	£	£
VAT	17,245	-
Other receivables	443	-
	<u>17,688</u>	<u>-</u>

11. TRADE AND OTHER CURRENT PAYABLES

	GROUP	COMPANY
	2017	2017
	£	£
Trade payables	10,933	9,159
Accruals	4,500	4,500
Taxes Payable	1,436	-
Other payables	9,503	-
	<u>26,372</u>	<u>13,659</u>

12. SHARE CAPITAL

GROUP AND COMPANY	2017
	£
Issued and fully paid	
16,157,036 Ordinary shares of £0.053 each	<u>856,323</u>

On incorporation the company issued 20 shares of par value £0.0005 at £0.01 each, totalling £0.20.

On 10 February 2017 the company issued 12 million shares with par value of 0.05342, totalling £638,950.

On 13 February 2017, the company cancelled the 20 shares of par value £0.0005.

On 20 February 2017 the company issued 200,000 shares with par value of 0.05342 at £0.15, totalling £30,000.

On 28 February the company issued 5,787 shares with par value of 0.05342 at £0.15, totalling £868.

On 31 March the company issued 122,444 shares with par value of 0.05342 at £0.15, totalling £18,367.

In April 2017 the company issued a further 3,828,805 shares with par value of 0.05342 at £0.15 totalling £574,321.

13. RETAINED EARNINGS AND RESERVES

GROUP	Retained Earnings £	Other Reserves £	Total £
At 3 February 2017			
Loss for the year	(117,307)	-	(117,307)
Foreign exchange gain on consolidation	-	25,402	25,402
	<u>(117,307)</u>	<u>25,402</u>	<u>(91,905)</u>
At 30 June 2017			
	<u>(117,307)</u>	<u>25,402</u>	<u>(91,905)</u>

COMPANY	Retained Earnings £	Other Reserves £	Total £
At 3 February 2017	-	-	-
Loss for the year	(92,018)	-	(92,018)
	<u>(92,018)</u>	<u>-</u>	<u>(92,018)</u>
At 30 June 2017			
	<u>(92,018)</u>	<u>-</u>	<u>(92,018)</u>

14. COMMITMENTS AND CONTINGENCIES

The company had no commitments as at 30 June 2017.

15. EVENTS AFTER THE REPORTING DATE

On 30 October 2017 the Company issued a further 3,606,663 shares at £0.30 each, increasing issued share capital by £1,081,999.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**Capital risk management**

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for shareholders;
- to support the Group's growth; and
- to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Management regards total equity as capital and reserves, for capital management purposes.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (*continued*)

Financial Risk Factors

The Group is exposed to market risk, foreign currency risk, credit risk and liquidity risk. Within each of the operating subsidiaries, the entities senior management oversees the management of these risks for their operations and periodically identify measure and manage these risks. These risks are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

Given that the company is not yet selling any minerals this is not a risk that affects the company in the current year however when the company does begin to trade in minerals it is a risk that will have to be considered given the volatility of mineral prices.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's subsidiary company operating in Bosnian Mark while the Group's presentation currency is that of British Pound. If the rate of the Bosnian Mark were to increase this would have a negative impact on the turnover and profit of the Group.

See the below sensitivity analysis for details of the possible impacts.

Group Foreign currency sensitivity analysis

The following table demonstrates the sensitivity to a possible change in the Bosnian Mark exchange rates, with all other variables held constant and the impact on the Group's profit before tax to changes in the fair value of monetary assets and liabilities.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

30 June 2017	Effect on profit or loss	Effect on equity
	£	£
Increase in foreign exchange rate of 10%		
Bosnian Mark	2,299	(77,371)
Decrease in foreign exchange rate of 10%		
Bosnian Mark	(2,810)	94,566

The movement in profit or loss is a result of a change in the fair value of assets and liabilities denominated in Bosnian Mark where the functional currency of the entity is a currency other than the entity's reporting currency.

The movement in equity arises from changes in foreign currency offsetting the translation of foreign operations' net assets into £.

As can be seen from the above analysis the profit and loss would not be materially affected however equity could be affected with a slight movement in foreign exchange rates.

- **Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a customer contract leading to a financial loss. The Group is exposed to credit risk from its operating activities (trade receivables) and from its financing activities, including taxes receivable, foreign exchange transactions and other financial instruments.

- **Liquidity risk**

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company does not face significant liquidity risks and uncertainties as they are currently in a net asset position.

17. FAIR VALUE

The fair value of the Group's and Company's financial assets and financial liabilities are materially consistent with their carrying value.