

20 July 2020

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

Adriatic Metals Plc is focused on the development of the 100% owned, high-grade polymetallic Vareš Project in Bosnia & Herzegovina.

DIRECTORS

Mr Peter Bilbe
NON-EXECUTIVE CHAIRMAN

Mr Paul Cronin
MANAGING DIRECTOR & CEO

Mr Michael Rawlinson
NON-EXECUTIVE DIRECTOR

Mr Julian Barnes
NON-EXECUTIVE DIRECTOR

Ms Sandra Bates
NON-EXECUTIVE DIRECTOR



Adriatic Metals

TETHYAN RESOURCE CORP. MANAGEMENT INFORMATION CIRCULAR DISPATCHED

Precious and base metals explorer and developer Adriatic Metals Plc (ASX:ADT, LON:ADT1) ("Adriatic" or "the Company") is pleased to announce that the management information circular ("Circular") in relation to the acquisition of 100% of the outstanding common shares in Tethyan Resource Corp. (TSX-V:TETH) ("Tethyan") by Adriatic, pursuant to a statutory plan of arrangement under the Business Corporations Act (British Columbia) (the "Arrangement"), was dispatched to Tethyan securityholders on Friday, 17 July 2020 (Vancouver time).

A copy of the Circular is attached and can also be obtained at Tethyan's website www.tethyan-resources.com/ and www.sedar.com/.

The special meeting of Tethyan shareholders to approve the Arrangement will be held on 17 August 2020 at 10:00am (Vancouver time) and, subject to satisfaction or waiver of all conditions precedent to the Arrangement, including obtaining the requisite approval of the Tethyan shareholders, a final order from the Court approving the Arrangement, and acceptance of the TSXV, it is anticipated that the Arrangement will be completed in August or September, 2020.

Authorised by, and for further information please contact:

Paul Cronin
Managing Director & CEO
info@adriaticmetals.com

**** ENDS ****

MARKET ABUSE REGULATION DISCLOSURE

The information contained within this announcement is deemed by the Company (LEI: 549300OHAH2GL1DP0L61) to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. The person responsible for arranging the release of this announcement on behalf of the Company is Paul Cronin, Managing Director and CEO.

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

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ABOUT ADRIATIC METALS

Adriatic Metals Plc (ASX:ADT, LON:ADT1) is a precious and base metals explorer and developer that owns the world-class advanced polymetallic Vares project in Bosnia & Herzegovina.

The Vares project consists of two high-grade polymetallic deposits, located at Rupice and Veovaca. Bosnia & Herzegovina is well-positioned in central Europe and boasts a strong mining history, pro-mining environment, highly-skilled workforce as well as extensive existing infrastructure and logistics.

The Vares project's captivating economics and impressive resource inventory have attracted Adriatic's highly experienced team, which is expediting exploration efforts to expand the current JORC resource. Results of a recent scoping study indicate an NPV₈ of US\$917 million and IRR of 107%. Leveraging its first-mover advantage, Adriatic is rapidly advancing the project into the development phase and through to production.



NOTICE OF MEETING

and

MANAGEMENT INFORMATION CIRCULAR

for the

**ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS OF
TETHYAN RESOURCE CORP.**

to be held on

AUGUST 17, 2020

DATED AS OF JULY 13, 2020

**Your Board of Directors
recommends that you vote
FOR the Arrangement Resolution**

These materials affect your legal rights as a shareholder of Tethyan Resource Corp. and should receive your immediate attention. Shareholders of Tethyan Resource Corp. will be required to make an important decision. If you are in doubt as to how to make the decision, please contact your professional advisors.



Dear shareholders of Tethyan Resource Corp. (“**Tethyan**”):

The board of directors of Tethyan (the “**Tethyan Board**”) cordially invites you to attend the annual general and special meeting (the “**Tethyan Meeting**”) of the shareholders of Tethyan (“**Tethyan Shareholders**”) to be held at 10:00 a.m. (*Pacific Daylight Time*) on Monday, August 17, 2020. In order to comply with measures imposed by the federal and provincial governments related to the COVID-19 pandemic, and to mitigate risks to the health and safety of our communities, shareholders, and other stakeholders, unless we advise otherwise by way of news release and on our website (www.tethyan-resources.com), the Tethyan Meeting will be held in virtual only format, which will be conducted via telephone conference. Registered Tethyan Shareholders and validly appointed proxyholders may attend the meeting by calling 1-877-407-2991 (toll-free in Canada and the United States) or 201-389-0925 (international). Registered Tethyan Shareholders who attend the virtual meeting will have an equal opportunity to participate at the Tethyan Meeting, regardless of their geographic location.

The Arrangement

On June 12, 2020, Tethyan entered into an arrangement agreement (the “**Arrangement Agreement**”) with Adriatic Metals plc (“**Adriatic**”). Subject to the terms and conditions of the Arrangement Agreement, Adriatic will, among other things, acquire all of the outstanding common shares of Tethyan (the “**Tethyan Shares**”) by way of plan of arrangement under the provisions of Section 288 of the *Business Corporations Act* (British Columbia) (the “**Arrangement**”). In connection with the Arrangement, Tethyan has applied to the Supreme Court of British Columbia (the “**Court**”) and obtained an interim order dated July 13, 2020 (the “**Interim Order**”) providing for, among other things, the calling and holding of the Tethyan Meeting. A copy of the Interim Order is attached as Schedule “C” to this information circular (the “**Circular**”).

Terms of the Arrangement

Under the terms of the Arrangement, the Tethyan Shareholders (other than Tethyan Shareholders validly exercising dissent rights) will receive 0.166 of one ordinary share of Adriatic (the “**Consideration Share**”), in exchange for each Tethyan Share held (the “**Exchange Ratio**”). The ordinary shares of Adriatic (the “**Adriatic Shares**”) are listed on the Australian Securities Exchange (“**ASX**”) and the London Stock Exchange (“**LSE**”), and it is a condition to closing of the Arrangement that the Consideration Shares be listed for trading on the LSE. Following completion of the Arrangement, it is expected that Tethyan Shareholders will own approximately 6.9% of the issued and outstanding Adriatic Shares.

Each Tethyan stock option (the “**Tethyan Options**”) will be exchanged for options issued by Adriatic. The number of Adriatic Shares issuable on exercise of such options, and the exercise price, will be adjusted based on the Exchange Ratio. In addition, the exercise price shall be converted to pounds sterling based on the exchange rate on the effective date of the Arrangement. The terms of the options issued by Adriatic shall otherwise be the same as the terms of the Tethyan Option for which it was exchanged, subject to compliance with the listing conditions of the LSE, ASX and the terms of Adriatic’s stock option plan.

Each Tethyan share purchase warrant (the “**Tethyan Warrants**”) will be exchanged for warrants issued by Adriatic. The number of Adriatic Shares issuable on exercise of such warrants, and the exercise price, will be adjusted based on the Exchange Ratio. In addition, the exercise price shall be converted to pounds sterling based on the exchange rate on the effective date of the Arrangement. The terms of the warrants issued by Adriatic shall otherwise be the same as the terms of the Tethyan Warrants for which they were exchanged.

Subject to satisfaction or waiver of all conditions precedent to the Arrangement, including obtaining the requisite approval of the Tethyan Shareholders, a final order from the Court approving the Arrangement, and acceptance of the TSX Venture Exchange (“TSXV”), it is anticipated that the Arrangement will be completed in August or September, 2020.

Benefits of the Arrangement

The Tethyan Board believes that the business combination will create a prominent Balkans-focused base and precious metals developer with a portfolio of high quality assets headlined by Adriatic’s Vareš project in Bosnia, together with Tethyan’s interest in the Kizevak and Sastavci projects in the Raška district of Serbia. Tethyan Shareholders will have the opportunity to participate in the enlarged Adriatic, as such company will exist upon completion of the Arrangement (the “**Combined Company**”), which will have the financial and human resources required to advance these key projects. Other merits include but are not limited to the following:

- The Exchange Ratio represents an implied price of \$0.184 per Tethyan Share based on the 20-day volume weighted average price (“**VWAP**”) of Adriatic Shares calculated as at May 8, 2020, being the last trading day prior to announcement of the Arrangement, which is a premium of 47% to the 20-day VWAP of \$0.131 per Tethyan Share calculated as at May 8, 2020.
- The loan made available to Tethyan by Adriatic pursuant to the convertible loan agreement among Adriatic, Tethyan and Tethyan Resources Limited, dated May 10, 2020 enabled Tethyan to complete the first closing of the acquisition of EFPP d.o.o. (“**EFPP**”), which holds the Kizevak and Sastavci projects. These projects are contiguous with Tethyan’s existing exploration rights in Serbia, and include two past-producing open pit silver-zinc-lead mines and indicate excellent brownfield exploration potential.
- In addition to the first closing of the acquisition of EFPP, the Loan enabled Tethyan to commence confirmation drilling at the Kizevak Project, and to meet expenses and costs through to completing the Arrangement.
- Tethyan Shareholders will have the ability to participate in the Combined Company and its high quality Vareš project, while retaining an interest in the Kizevak and Sastavci projects at an increased pace of development, as Adriatic brings funding to progress the projects immediately and an experienced project development team.
- With its key projects, the Combined Company will have a long-term project development pipeline, and an attractive portfolio of regional exploration targets.
- There is the potential for synergies between Adriatic’s operations in Bosnia and Tethyan’s operations in Serbia that may lead to stronger exploration, development and permitting ability. There is also the potential for operational and logistics synergies, staff training, and once in production, downstream processes such as blending of concentrates.
- The directors and certain significant Tethyan Shareholders representing 54.3% of the issued and outstanding Tethyan Shares, have entered into voting support agreements committing to vote or cause to be voted their Tethyan Shares in favour of the Arrangement, subject to the terms and conditions set out therein.

We recommend you review in detail the full discussion of the reasons for the Arrangement under “*The Arrangement – Reasons for the Tethyan Board Recommendation*” in the accompanying Circular.

Tethyan Recommendation

The Tethyan Board, after consultation with its advisors, and based upon its own investigations, has unanimously approved the Arrangement and the terms of the Arrangement Agreement and has determined that the Arrangement is in the best interests of Tethyan and the Tethyan Shareholders. **Accordingly, the Tethyan Board recommends that you vote FOR the Arrangement Resolution at the Tethyan Meeting.**

The recommendation of the Tethyan Board is based on various factors, and we recommend that you review in detail the full reasons, which are set out under *“The Arrangement – Reasons for the Tethyan Board Recommendation”* in the accompanying Circular. In the course of evaluating the Arrangement, the Tethyan Board also identified and considered a variety of risks and potentially negative factors in connection with the Arrangement including the risks set out in *“Risk Factors”* in the accompanying Circular.

Shareholder Vote

At the Tethyan Meeting, Tethyan Shareholders will be asked to consider and vote on a special resolution approving the Arrangement, to be substantially in the form and content of Schedule "A" attached to the accompanying Circular (the **“Arrangement Resolution”**). In order for the Arrangement to be completed, the Arrangement Resolution must be approved by not less than two-thirds of the votes cast by the Tethyan Shareholders, present via telephone conference or by proxy at the Tethyan Meeting.

Your vote is very important, regardless of the number of Tethyan Shares you own. It is important that your Tethyan Shares be represented at the Tethyan Meeting. We urge you to complete the enclosed form of proxy (the **“Tethyan Proxy”**) and return it by 10:00 a.m. (*Pacific Daylight Time*) on August 13, 2020 to Tethyan’s transfer agent, Computershare Investor Services Inc., in accordance with the instructions on the Tethyan Proxy. Voting by proxy will ensure that your vote will be counted if you are unable to attend the virtual Tethyan Meeting.

If you are a non-registered or beneficial shareholder, meaning your Tethyan Shares are not registered in your own name but are registered in the name of a broker, bank or other intermediary (a **“Non-Registered Tethyan Shareholder”**), follow the instructions provided by your broker or other intermediary to vote your Tethyan Shares.

A letter of transmittal is also enclosed with the accompanying Circular. We recommend that registered Tethyan Shareholders complete the enclosed letter of transmittal in accordance with the instructions in it, sign it and return it to Computershare Investor Services Inc., together with any Tethyan share certificate(s) you hold. The letter of transmittal contains complete instructions on how to exchange your Tethyan Shares for Consideration Shares. You will not actually receive your Consideration Shares until after the Arrangement is completed and you have returned your properly completed documents, including the letter of transmittal and your Tethyan share certificate(s). The exchange of Tethyan Shares by Non-Registered Tethyan Shareholders is expected to be made with the Non-Registered Tethyan Shareholders’ nominee, and you should contact your broker or other intermediary for assistance in depositing your Tethyan Shares and if you have questions regarding this process.

The accompanying Circular and notice of special meeting of Tethyan Shareholders provide a description of the Arrangement and include certain additional information to assist you in considering how to vote on the Arrangement Resolution. It contains detailed information regarding Tethyan and Adriatic and other information regarding the Combined Company after giving effect to the Arrangement. It also includes certain risk factors relating to Tethyan and Adriatic and the Combined Company assuming the completion of the Arrangement, and the potential consequences for each of the Tethyan Shareholders exchanging their respective Tethyan Shares for Consideration Shares, in connection with the Arrangement. You are urged to read this information carefully and to consult your tax, financial, legal or other professional advisors.

On behalf of Tethyan, I would like to thank all securityholders of Tethyan for their continuing support.

Yours very truly,

“Fabian Baker”

Fabian Baker
President and Chief Executive Officer

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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that, pursuant to an order (the “**Interim Order**”) of the Supreme Court of British Columbia dated July 13, 2020, an annual general and special meeting (the “**Tethyan Meeting**”) of the shareholders (the “**Tethyan Shareholders**”) of Tethyan Resource Corp. (“**Tethyan**”) will be held at 10:00 a.m. (*Pacific Daylight Time*), on Monday, August 17, 2020 (the “**Meeting Date**”) for the following purposes:

1. to consider, pursuant to the Interim Order, and, if deemed advisable, to pass, with or without variation, a special resolution (the “**Arrangement Resolution**”), (the text of which is set out in Schedule "A" to this information circular (the “**Circular**”)), to approve the Arrangement on the terms and conditions set forth in the Arrangement Agreement between Tethyan and Adriatic Metals plc dated June 12, 2020 and the Plan of Arrangement substantially in the form attached as Schedule "B" to the accompanying Circular (the “**Plan of Arrangement**”), subject to any amendment or supplement thereto, all as more particularly described in the accompanying Circular;
2. to receive the audited annual financial statements of Tethyan for the fiscal year ended December 31, 2019 and the auditor’s report thereon;
3. to fix the number of directors at three (3) for the ensuing year;
4. to elect the directors of Tethyan for the ensuing year;
5. to appoint KPMG LLP as the auditor of Tethyan for the ensuing year and to authorize the directors to fix their remuneration;
6. to consider, and if deemed advisable, to pass an ordinary resolution to approve Tethyan’s stock option plan for the ensuing year, as more particularly described in the accompanying Circular; and
7. to transact such other business as may properly be brought before the Tethyan Meeting, or any adjournment thereof.

The Tethyan Meeting will be deemed to be held at Tethyan’s head office located at Suite 555 – 999 Canada Place, Vancouver, British Columbia, Canada; however, the Tethyan Meeting will be held in **virtual only format**, which will be conducted via telephone conference. Registered Tethyan Shareholders and validly appointed proxyholders may attend the meeting by calling 1-877-407-2991 (toll-free in Canada and the United States) or 201-389-0925 (international). Registered Tethyan Shareholders who attend the virtual meeting will have an equal opportunity to participate at the Tethyan Meeting, regardless of their geographic location.

The board of directors of Tethyan unanimously recommends that Tethyan Shareholders vote **FOR** the Arrangement Resolution.

The record date (the “**Record Date**”) for determination of Tethyan Shareholders entitled to receive notice of and to vote at the Tethyan Meeting is the close of business on July 3, 2020. Only the Tethyan Shareholders whose names have been entered in the register of holders of common shares of Tethyan (the “**Tethyan Shares**”) on the close of business on the Record Date are entitled to receive notice of and to vote at the Tethyan Meeting. Each Tethyan Shareholder will be entitled to one vote for each Tethyan Share. The Arrangement Resolution must be approved by at least two-thirds of the votes cast by the Tethyan Shareholders, present via telephone conference or by proxy at the Tethyan Meeting.

A registered Tethyan Shareholder may attend the Tethyan Meeting via telephone conference or by proxy. Registered Tethyan Shareholders who are unable to attend the virtual Tethyan Meeting are requested to complete, date, sign and return, in the envelope provided for that purpose, the accompanying form of proxy (the “Tethyan Proxy”) for use at the Tethyan Meeting or any adjournment thereof. To be effective, the Tethyan Proxy must be received by our transfer agent, Computershare Investor Services Inc., by no later than 10:00 a.m. (*Pacific Daylight Time*) on August 13, 2020 or no later than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time to which the Tethyan Meeting may be adjourned or postponed. Notwithstanding the foregoing, the Chair of the Tethyan Meeting has the discretion to accept proxies received after such deadline.

Registered Tethyan Shareholders who validly dissent in respect of the Arrangement Resolution pursuant to and in the manner set forth in Section 237 to 247 of the *Business Corporations Act* (British Columbia) (the “BCBCA”) and Section 4.1 of the Plan of Arrangement, will be entitled to be paid the fair value of their Tethyan Shares. The right of registered Tethyan Shareholders to dissent is more particularly described in the accompanying Circular under the heading “*The Arrangement – Dissent Rights*”. Failure to strictly comply with the requirements with respect to the dissent rights set forth in the BCBCA (as described in the Interim Order and Plan of Arrangement) may result in the loss of any right to dissent. Persons who are beneficial owners of Tethyan Shares registered in the name of a broker, custodian, nominee or other intermediary and who wish to dissent must make arrangements for the Tethyan Shares beneficially owned by them to be registered in their name before the time the written objection to the Arrangement Resolution is required to be received by Tethyan, or alternatively, make arrangements for the registered holder of their Tethyan Shares to dissent on their behalf.

Notwithstanding subsection 242(a) of the BCBCA, the written objection to the Arrangement Resolution must be received by Tethyan not later than 5:00 p.m. (*Pacific Daylight Time*) on the business day that is two business days before the Meeting Date or any date to which the Tethyan Meeting may be postponed or adjourned. If a Tethyan Shareholder received more than one proxy form because such holder owns Tethyan Shares registered in different names or addresses, each form of proxy should be completed and returned.

If you are a non-registered holder of Tethyan Shares and have received these materials from Computershare Investor Services Inc. or through your broker, custodian, nominee or other intermediary, please complete and return the form of proxy or voting instruction form provided to you in accordance with the instructions provided therein.

DATED at Vancouver, British Columbia, this 13th day of July, 2020.

BY ORDER OF THE BOARD OF DIRECTORS

“Fabian Baker”

Fabian Baker
President and Chief Executive Officer

Whether or not you expect to attend the Tethyan Meeting via telephone conference, please complete, date, sign and return the accompanying form of proxy or voting instruction form at your earliest convenience. The accompanying Circular provides further information respecting proxies and the matters to be considered at the Tethyan Meeting and is deemed to form part of this notice of meeting.

MANAGEMENT INFORMATION CIRCULAR

QUESTIONS AND ANSWERS ABOUT THE ARRANGEMENT

The following is a summary of certain information contained in or incorporated by reference into this Circular, together with some of the questions that you, as a Tethyan Shareholder, may have and answers to those questions. You are urged to read the remainder of this Circular and the enclosed Tethyan Proxy and letter of transmittal carefully, because the information contained below is of a summary nature, and is qualified in its entirety by the more detailed information contained elsewhere in or incorporated by reference into this Circular, the Tethyan Proxy and the attached schedules to this Circular, all of which are important and should be reviewed carefully. Capitalized terms in this summary have the meanings set out under the heading "Glossary of Terms".

*This Circular is provided to you in connection with the solicitation by or on behalf of management of Tethyan of proxies to be used at the Tethyan Meeting to be held at 10:00 a.m. (Pacific Daylight Time), on Monday, August 17, 2020 (Pacific Daylight Time) for the purposes indicated in the Notice of Meeting. In order to comply with measures imposed by the federal and provincial governments related to the COVID-19 pandemic, and to mitigate risks to the health and safety of our communities, shareholders, and other stakeholders, unless we advise otherwise by way of news release and on our website (www.tethyan-resources.com), the Tethyan Meeting will be held in **virtual only format**, which will be conducted via telephone conference. Registered Tethyan Shareholders and validly appointed proxyholders may attend the meeting by calling 1-877-407-2991 (toll-free in Canada and the United States) or 201-389-0925 (international). Registered Tethyan Shareholders who attend the virtual meeting will have an equal opportunity to participate at the Tethyan Meeting, regardless of their geographic location.*

Your vote is very important. We encourage you to exercise your right to vote by proxy if:

- 1) you cannot attend the Tethyan Meeting; or*
- 2) you plan to attend the Tethyan Meeting but prefer the convenience of voting in advance.*

The questions and answers below give general guidance for voting your Tethyan Shares and related matters. Unless otherwise noted, all answers relate to both Registered Tethyan Shareholders and Non-Registered Tethyan Shareholders.

Why is the Tethyan Meeting being held?

The primary purpose of the Tethyan Meeting is for Tethyan Shareholders to consider and, if deemed advisable, to pass, with or without variation, a special resolution approving the acquisition of the Tethyan Shares by Adriatic pursuant to the Arrangement. The Arrangement Resolution will be substantially in the form and content of Schedule "A" to this Circular. Approval of the Arrangement Resolution is required in accordance with the Interim Order and Section 289(1) of the BCBCA.

Annual general meeting matters will also be considered at the Tethyan Meeting.

If the Arrangement is completed, what will I receive?

Under the terms of the Arrangement, the Tethyan Shareholders (other than Tethyan Shareholders validly exercising dissent rights) will receive 0.166 of one Adriatic Share, in exchange for each Tethyan Share held. The Adriatic Shares are listed on the ASX and the LSE, and it is a condition to closing of the Arrangement that the Consideration Shares be listed for trading on the LSE.

Each Tethyan Option will be exchanged for an Adriatic Option. The number of Adriatic Shares issuable on exercise of such options, and the exercise price, will be adjusted based on the Exchange Ratio. In addition, the exercise price shall be converted to Sterling based on the exchange rate on the effective date of the Arrangement. The terms of the options issued by Adriatic shall otherwise be the same as the terms of the Tethyan Options for which they were exchanged, subject to compliance with the listing conditions of the LSE, ASX and the terms of Adriatic's share option plan adopted on November 8, 2019.

Each Tethyan Warrant will be exchanged for warrants issued by Adriatic. The number of Adriatic Shares issuable on exercise of such warrants, and the exercise price, will be adjusted based on the Exchange Ratio. In addition, the exercise price shall be converted to Sterling based on the exchange rate on the effective date of the Arrangement. The terms of the warrants issued by Adriatic shall otherwise be the same as the terms of the Tethyan Warrants for which they were exchanged.

See “*The Arrangement – Description of the Plan of Arrangement*” for further information.

Why should I support the Arrangement?

The Tethyan Board believes that the business combination will create a prominent Balkans-focused base and precious metals developer with a portfolio of high quality assets headlined by Adriatic’s Vareš Project in Bosnia, together with Tethyan’s interest in the Kizevak and Sastavci Projects in the Raška district of Serbia. Tethyan Shareholders will have the opportunity to participate in the Combined Company, which will have the financial and human resources required to advance these key projects. Other merits include but are not limited to the following:

- The Exchange Ratio represents an implied price of \$0.184 per Tethyan Share based on the 20-day VWAP of Adriatic Shares calculated as at May 8, 2020, being the last trading day prior to announcement of the Arrangement, which is a premium of 47% to the 20-day VWAP of \$0.131 per Tethyan Share calculated as at May 8, 2020.
- The Loan from Adriatic enabled Tethyan to complete the first closing of the acquisition of EFPP, which holds the Kizevak Project and Sastavci Project. These projects are contiguous with Tethyan’s existing exploration rights in Serbia, and include two past-producing open pit silver-zinc-lead mines and indicate excellent brownfield exploration potential.
- In addition to the first closing of the acquisition of EFPP, the Loan enabled Tethyan to commence confirmation drilling at the Kizevak Project, and to meet expenses and costs through to completing the Arrangement.
- Tethyan Shareholders will have the ability to participate in the Combined Company and its high quality Vareš Project, while retaining an interest in the Kizevak Project and Sastavci Project at an increased pace of development, as Adriatic brings funding to progress the projects immediately and an experienced project development team.
- With its key projects, the Combined Company will have a long-term project development pipeline, and an attractive portfolio of regional exploration targets.
- There is the potential for synergies between Adriatic’s operations in Bosnia and Tethyan’s operations in Serbia that may lead to stronger exploration, development and permitting ability. There is also the potential for operational and logistics synergies, staff training, and once in production, downstream processes such as blending of concentrates.
- The directors and certain significant Tethyan Shareholders representing 54.3% of the issued and outstanding Tethyan Shares, have entered into voting support agreements committing to vote or cause to be voted their Tethyan Shares in favour of the Arrangement, subject to the terms and conditions set out therein.

We recommend you review in detail the full discussion of the reasons for the Arrangement under “*The Arrangement – Reasons for the Tethyan Board Recommendation*” in this Circular.

Does the Tethyan Board support the Arrangement?

Yes. The Tethyan Board, after consultation with its advisors, and based upon its own investigations, including the considerations above, has unanimously determined that the Arrangement is in the best interests of Tethyan and the Tethyan Shareholders and unanimously recommends that the Tethyan Shareholders vote **FOR** the Arrangement Resolution.

Am I entitled to vote?

You are entitled to vote if you were a holder of Tethyan Shares as of the close of business on July 3, 2020. Tethyan Shareholders shall be entitled to vote on the Arrangement Resolution, with each Tethyan Shareholder being entitled to one vote for each Tethyan Share held.

Tethyan Optionholders and Tethyan Warrantholders are not entitled to vote in respect of their Tethyan Options or Tethyan Warrants on any matters at the Tethyan Meeting. The approval of the Arrangement by Tethyan Optionholders or Tethyan Warrantholders is not required under the BCBCA.

Do I have dissent rights?

Registered Tethyan Shareholders may exercise rights of dissent with respect to their Tethyan Shares pursuant to and in the manner set forth in Section 237 to 247 of the BCBCA and Section 4.1 of the Plan of Arrangement. The written objection to the Arrangement Resolution referred to in subsection 242(a) of the BCBCA must be received by Tethyan not later than 5:00 p.m. (*Pacific Daylight Time*) on the business day that is two business days before the Meeting Date or any date to which the Tethyan Meeting may be postponed or adjourned.

Failure to strictly comply with the dissent procedures will result in the loss of any right to dissent. See “*The Arrangement – Dissent Rights*” in this Circular.

When and how will I receive my Adriatic Shares?

Computershare will act as the Depositary to the Registered Tethyan Shareholders who have deposited Tethyan Shares pursuant to the Arrangement for the purpose of receiving the Consideration Shares, and transmitting certificates representing the Consideration Shares issuable to such persons. Upon surrender to the Depositary for cancellation of a certificate that immediately before the Effective Time represented one or more outstanding Tethyan Shares that were exchanged for Consideration Shares together with a duly executed Letter of Transmittal and such other documents and instruments as the Depositary may reasonably require, the holder of such surrendered certificate shall be entitled to receive, and the Depositary shall deliver to such holder following the Effective Time, a certificate representing the Consideration Shares that such holder is entitled to receive in accordance with the Plan of Arrangement.

Tethyan Shareholders whose Tethyan Shares are registered in the name of a broker, investment dealer or other intermediary should contact that broker, investment dealer or other intermediary for instructions and assistance in depositing their Tethyan Shares with the Depositary. Non-Registered Tethyan Shareholders do not need to return a Letter of Transmittal.

CREST is the electronic settlement system operated by Euroclear UK & Ireland Limited enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The articles of association of Adriatic permit the holding of Adriatic Shares under the CREST system. Accordingly, settlement of transactions in respect of the Consideration Shares may take place within CREST. Where Tethyan Shares are currently registered in the name of a nominee such as CDS or DTC, brokers, investment dealers and other intermediaries are advised that in order to have the Adriatic Shares that the Non-Registered Tethyan Shareholder is entitled to receive pursuant to the Arrangement deposited into CREST, such intermediary must make arrangements with a CREST participant to deposit such Adriatic Shares into CREST in accordance with the procedures set forth in the CREST manual. As the procedures for depositing Adriatic Shares into CREST may vary between individual CREST participants, brokers, investment dealers and other intermediaries are encouraged to seek advice from their CREST participant with respect to the process to be followed for depositing such Adriatic Shares into CREST. The Depositary will not be involved in facilitating this process. Failure to provide accurate information to the Depositary or providing

incomplete or inaccurate information will result in delays in the receipt of Adriatic Shares by such Non-Registered Tethyan Shareholders.

NON-REGISTERED TETHYAN SHAREHOLDERS SHOULD CONTACT THEIR BROKER, INVESTMENT DEALER OR OTHER INTERMEDIARY TO CONFIRM THAT THEIR BROKER, INVESTMENT DEALER OR OTHER INTERMEDIARY HAS MADE ARRANGEMENTS TO RECEIVE THE NUMBER OF ADRIATIC SHARES REQUIRED TO SATISFY THE CONSIDERATION SHARES PAYABLE TO SUCH NON-REGISTERED TETHYAN SHAREHOLDER PURSUANT TO THE PLAN OF ARRANGEMENT INCLUDING, AS APPLICABLE, TO DEPOSIT ADRIATIC SHARES INTO CREST VIA THE CCSS SERVICE. THE DEPOSITARY WILL NOT BE INVOLVED IN FACILITATING THIS PROCESS.

See “*Procedure for Exchange of Tethyan Shares*” in this Circular.

Since the Adriatic Shares are listed on the LSE and not on a stock exchange in Canada, will I be able to trade the Consideration Shares I receive?

It is a condition to closing of the Arrangement that the Consideration Shares be listed for trading on the LSE. All trades on the LSE are able to be settled within CREST, which is the electronic settlement system operated by Euroclear UK & Ireland Limited.

Tethyan Shareholders who receive their Adriatic Shares in certificated form who wish to hold their Adriatic Shares via CREST will need to make arrangements with a CREST participant to deposit their Adriatic Shares into CREST following the Effective Date. As the procedures for depositing Adriatic Shares into CREST may vary between individual CREST participants, Tethyan Shareholders are encouraged to seek advice from their broker, investment dealer or other intermediaries with respect to the process to be followed for depositing the Adriatic Shares into CREST.

Where Tethyan Shares are currently registered in the name of a nominee such as CDS or DTC, brokers, investment dealers and other intermediaries are advised that in order to have the Adriatic Shares that such Tethyan Shareholder is entitled to receive pursuant to the Arrangement deposited into CREST, such intermediary must make arrangements with a CREST participant to deposit such Adriatic Shares into CREST in accordance with the procedures set forth in the CREST manual. Tethyan Shareholders whose shares are registered in the name of a nominee should contact their broker, investment dealer or other intermediary to confirm they have made arrangements to have the Consideration Shares deposited into CREST following the Effective Date.

See “*Procedure for Exchange of Tethyan Shares*” in this Circular.

What will happen if the Arrangement Resolution is not approved or the Arrangement is not completed?

If the Arrangement Resolution is not approved, or the Arrangement is not completed for any reason, the Arrangement Agreement may be terminated. In connection with a termination of the Arrangement Agreement, Tethyan may be required to pay to Adriatic the Adriatic Termination Fee of \$700,000 and cover expenses of up to \$150,000, or Adriatic may be required to pay to Tethyan the Tethyan Termination Fee of \$350,000 and cover expenses of up to \$75,000. See “*The Arrangement Agreement – Expenses and Termination Fees*” in this Circular.

In addition, if the Arrangement Resolution is not approved, pursuant to the Loan Agreement between Tethyan and Adriatic, the Loan will become due and payable 30 days following the failure to receive such approval. If the Arrangement Agreement is terminated in any circumstance where the Adriatic Termination Fee is payable to Tethyan, the Loan will become immediately due and payable. If the Arrangement Agreement is terminated by mutual consent of Tethyan and Adriatic, the Loan will be due and payable 45 days after the termination.

Tethyan will require additional financing in order to repay the Loan and pay the Adriatic Termination Fee. There is no guarantee that such financing will be available on terms acceptable to Tethyan or at all. See the heading “*Risk Factors*” in this Circular for more information.

What if I have any other questions?

If you have any other questions regarding the Tethyan Meeting and the Arrangement, please contact:

Tethyan:	Tethyan Resource Corp. Fabian Baker, President and Chief Executive Officer +44(0)1534 881885 fabian@tethyan-resources.com

If you have any other questions regarding completing the Letter of Transmittal, please contact:

Depository:	Computershare Investor Services Inc. P.O. Box 7021 31 Adelaide St E Toronto, ON M5C 3H2 Attention: Corporate Actions Toll Free (North America): 1-800-564-6253 International: 514-982-7555 E-Mail: corporateactions@computershare.com

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INTRODUCTION

This Circular is furnished in connection with the solicitation of proxies by or on behalf of the management of Tethyan for use at the Tethyan Meeting to be held at 10:00 a.m. (*Pacific Daylight Time*), on Monday, August 17, 2020 and at any adjournment(s) or postponements(s) thereof for the purposes set forth in the accompanying Notice of Meeting. In order to comply with measures imposed by the federal and provincial governments related to the COVID-19 pandemic, and to mitigate risks to the health and safety of our communities, shareholders, and other stakeholders, unless we advise otherwise by way of news release and on our website (www.tethyan-resources.com), the Tethyan Meeting will be held in **virtual only format**, which will be conducted via telephone conference. Registered Tethyan Shareholders and validly appointed proxyholders may attend the meeting by calling 1-877-407-2991 (toll-free in Canada and the United States) or 201-389-0925 (international). Registered Tethyan Shareholders who attend the virtual meeting will have an equal opportunity to participate at the Tethyan Meeting, regardless of their geographic location.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Circular constitute “forward-looking information” and “forward-looking statements” within the meaning of applicable securities Laws (collectively, “**Forward-Looking Statements**”). These statements relate to the expectations of management about future events, results of operations and future performance (both operational and financial) and business prospects of each of Tethyan, Adriatic, and the Combined Company. All statements other than statements of historical fact are Forward-Looking Statements. The use of any of the words “anticipate”, “plan”, “contemplate”, “continue”, “estimate”, “expect”, “intend”, “propose”, “might”, “may”, “will”, “shall”, “project”, “should”, “could”, “would”, “believe”, “predict”, “forecast”, “target”, “aim”, “pursue”, “potential”, “objective” and “capable” and the negative of these terms or other similar expressions are generally indicative of Forward-Looking Statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such Forward-Looking Statements. No assurance can be given that these expectations will prove to be correct and such Forward-Looking Statements should not be unduly relied on. These statements speak only as of the date of this Circular. In addition, this Circular may contain Forward-Looking Statements attributed to third-party industry sources. Without limitation, this Circular contains Forward-Looking Statements pertaining to the following:

- statements with respect to future events or future performance;
- the impact of general business and economic conditions;
- future financial capacity, liquidity and capital resources;
- anticipated future sources of funds to meet working capital requirements;
- future capital expenditures and contractual commitments;
- expectations regarding growth, results of operations and financial position of Tethyan, Adriatic and the Combined Company;
- mineral resources and mine life; and
- governmental taxation regimes.

With respect to Forward-Looking Statements contained in this Circular, assumptions have been made regarding, among other things, the following:

- the ability of Adriatic and Tethyan to realize the potential benefits and synergies of the Arrangement;
- demand for the metals underlying Adriatic’s and Tethyan’s projects;
- industry conditions; and
- the ongoing operation of Adriatic’s and Tethyan’s projects.

Actual results could differ materially from those anticipated in these Forward-Looking Statements as a result of the risk factors set forth below and included elsewhere in this Circular, including the following:

- risks related to the closing or non-completion of the Arrangement including due to the Parties failing to receive, in a timely manner and on satisfactory terms, the necessary Court, Tethyan Shareholder, stock exchange and regulatory approvals or the inability of the Parties to satisfy or waive in a timely manner the other conditions to the closing or the conditions precedent, as applicable, of the Arrangement, including the exercise of Dissent Rights under the Arrangement Agreement;
- risks related to the combined operations and assets of Adriatic and Tethyan after completion of the Arrangement;
- actual operating cash flows, free cash flows, total cash, transaction costs, and administrative costs of Tethyan, Adriatic, or the Combined Company differing materially from those anticipated;
- risks related to the exploration and development of mineral properties;
- country-specific risks relating to Bosnia and Herzegovina, and Serbia;
- title and mineral rights matters;
- environmental risks;
- risks relating to mineral resource estimates;
- fluctuating commodity prices;
- foreign exchange risks;
- the early-stage nature of Adriatic's and Tethyan's operations;
- those risks set forth in Tethyan's filings with the Securities Authorities, all of which are available under Tethyan's profile on SEDAR at www.sedar.com; and
- the other factors discussed under the heading "*Risk Factors*" in this Circular and in Schedule "F" to this Circular.

Although Tethyan and Adriatic have attempted to identify important factors that could cause plans, actions, events or results to differ materially from those described in Forward-Looking Statements in this Circular, and the documents incorporated by reference herein, there may be other factors that cause plans, actions, events or results not to be as anticipated, estimated or intended. There is no assurance that such Forward-Looking Statements will prove to be accurate as actual plans, results and future events could differ materially from those anticipated in such statements or information. Accordingly, readers should not place undue reliance on Forward-Looking Statements in this Circular, or in the documents incorporated by reference herein. All of the Forward-Looking Statements made in this Circular, including all documents incorporated by reference herein, are qualified by these cautionary statements.

Certain Forward-Looking Statements and other information contained herein concerning the mining industry and Tethyan's and Adriatic's general expectations concerning the mining industry, Adriatic, Tethyan, and the Combined Company are based on estimates prepared by Tethyan and Adriatic using data from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which Tethyan and Adriatic believe to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, this data is inherently imprecise. While Adriatic and Tethyan are not aware of any misstatement regarding any industry data presented herein, the mining industry involves risks and uncertainties that are subject to change based on various factors.

Tethyan Shareholders are cautioned not to place undue reliance on Forward-Looking Statements. Tethyan and Adriatic undertake no obligation to update any of the Forward-Looking Statements in this Circular or information incorporated by reference herein, except as required by law.

FINANCIAL STATEMENT DISCLOSURE

Adriatic's financial statements that are included as Schedule "H" to this Circular have been prepared in accordance with the Companies Act and IFRS as adopted by the European Union.

As of the date of this Circular, Adriatic qualifies as a "designated foreign issuer" as defined in National Instrument 52-107 – *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*.

Included in Schedule "H" to this Circular are the following:

- the Adriatic Half-Year Financial Statements; and
- the Adriatic Annual Financial Statements.

In addition, Schedule "G" to this Circular includes unaudited *pro forma* condensed consolidated financial statements of the Combined Company after giving effect to the Arrangement.

The British Columbia Securities Commission granted exemptive relief to Tethyan from the requirements of Form 51-102F5 – *Information Circular* and Form 41-101F1 – *Information Required in a Prospectus* to include a certain comparative interim financial report of Adriatic in this Circular. In lieu of such comparative interim financial report, this Circular includes the Half-Year Financial Statements in addition to the Adriatic Annual Financial Statements. See "*Securities Laws and Stock Exchange Matters – Canadian Securities Laws – Exemption Order*" in this Circular for further information.

If, on a fully-diluted basis, 10% or fewer of the Adriatic Shares upon completion of the Arrangement are owned directly or indirectly by residents in Canada, Adriatic will be permitted under NI 71-102 to report in Canada as a "designated foreign issuer". Currently, it is expected that Adriatic will qualify as a "designated foreign issuer" on completion of the Arrangement. If Adriatic does not so qualify, Adriatic intends to apply to the British Columbia Securities Commission for exemptive relief so that it is permitted to report as a "designated foreign issuer". As a "designated foreign issuer", Adriatic will be exempt from most of the continuous disclosure requirements of Canadian securities legislation provided that it complies with the continuous disclosure requirements of Australia and the United Kingdom. As such, upon completion of the Arrangement, the continuous disclosure documents filed by Adriatic may not be comparable to most Canadian reporting issuers that do not rely upon such exemption.

REPORTING CURRENCIES

Adriatic presents its financial statements in Sterling and discloses certain financial information in this Circular in Sterling, Euros, Bosnia-Herzegovina Convertible Marks, Australian dollars and United States dollars.

In this Circular, references to "£" and "GBP" are to Sterling and "pence" is to the 1/100 subdivision thereof, references to "€" are to Euros, references to "BAM" are to Bosnia-Herzegovina Convertible Marks, references to "A\$" are to Australian dollars, references to "US\$" are to United States dollars and references to "\$" are to Canadian dollars. Certain totals, subtotals and percentages throughout this Circular may not reconcile due to rounding.

The following tables set forth, for each period indicated, the low and high exchange rates for each of GBPs, Euros, Australian dollars and United States dollars expressed in Canadian dollars, the exchange rate at the end of such period and the average of such exchange rates for each day during such period, based on the daily average exchange rate as reported by the Bank of Canada for the conversion of each of GBPs, Euros, Australian dollars and United States dollars into Canadian dollars.

	Six months ended December 31, 2019	Year ended June 30, 20192018	
Canadian dollars per British Pound Sterling			
Highest rate during the period	1.7584	1.7743	1.8371
Lowest rate during the period	1.5955	1.6624	1.5899
Average rate during the period	1.6633	1.7135	1.7113
Rate at the end of the period	1.7174	1.6624	1.7357
Canadian dollars per Euro			
Highest rate during the period	1.4946	1.5613	1.6124
Lowest rate during the period	1.4438	1.4791	1.4506
Average rate during the period	1.4648	1.5101	1.5159
Rate at the end of the period	1.4583	1.4887	1.5360
Canadian dollars per Australian dollar			
Highest rate during the period	0.9229	0.9790	1.0207
Lowest rate during the period	0.8868	0.9132	0.9591
Average rate during the period	0.9038	0.9468	0.9843
Rate at the end of the period	0.9122	0.9177	0.9733
Canadian dollars per U.S. dollar			
Highest rate during the period	1.3343	1.3642	1.3310
Lowest rate during the period	1.2988	1.2803	1.2128
Average rate during the period	1.3202	1.3237	1.2701
Rate at the end of the period	1.2988	1.3087	1.3168

On July 13, 2020, the exchange rate for Sterling expressed in Canadian dollars (as reported by the Bank of Canada) was £1.00 = \$1.7098; the exchange rate for Euros expressed in Canadian dollars (as reported by the Bank of Canada) was €1.00 = \$1.5407; the exchange rate for Australian dollars expressed in Canadian dollars (as reported by the Bank of Canada) was A\$1.00 = \$0.9462; and the exchange rate for United States dollars expressed in Canadian dollars (as reported by the Bank of Canada) was US\$1.00 = \$1.3567.

TECHNICAL INFORMATION

The scientific and technical information contained or incorporated by reference in this Schedule relating to the Kizevak Project and Sastavci Project is based upon, and supported by, the Kizevak and Sastavci Technical Report. The Kizevak and Sastavci Technical Report was authored by Christopher Picken and Timothy J. Strong of Kangari Consulting Ltd., who are independent Qualified Persons. The Kizevak and Sastavci Technical Report is subject to certain assumptions, qualifications and procedures described therein. Reference should be made to the full text of the Kizevak and Sastavci Technical Report, which has been prepared pursuant to NI 43-101. A copy of the technical report is available under Tethyan's profile on SEDAR at www.sedar.com.

Scientific and technical information relating to the Kizevak Project and Sastavci Project contained in Schedule "I" was approved by Andrew Tunningley, MGeol(Hons), MAusIMM(CP), FSEG, who is the Exploration Manager of Tethyan and a Qualified Person.

See "*Technical Information*" in Schedule "F" of this Circular for information regarding the scientific and technical information relating to the Vareš Project included in this Circular.

NOTE TO U.S. SECURITYHOLDERS

THE SECURITIES ISSUABLE IN CONNECTION WITH THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE, NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE PASSED UPON THE ADEQUACY OR ACCURACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Consideration Shares to be issued to Tethyan Shareholders under the Arrangement have not been and will not be registered under the U.S. Securities Act, and are being issued in reliance on the exemption from registration provided by Section 3(a)(10) of the U.S. Securities Act on the basis of the approval of the Court, which will consider, among other things, the fairness of the terms and conditions of the Arrangement to Tethyan Shareholders. See “*U.S. Securities Laws*” for additional details.

Tethyan is a “foreign private issuer” within the meaning of Rule 405 under the U.S. Securities Act and Rule 3b-4 under the U.S. Exchange Act. The solicitation of proxies from Tethyan Shareholders is not subject to the proxy requirements of Section 14(a) of the U.S. Exchange Act by virtue of an exemption for foreign private issuers. Accordingly, the solicitation contemplated herein is being made to Tethyan Shareholders resident in the U.S. only in accordance with Canadian corporate and securities laws, and this Circular has been prepared in accordance with the disclosure requirements of Canadian Securities Laws. Tethyan Shareholders resident in the U.S. should be aware that, in general, such Canadian disclosure requirements are different from those applicable to proxy statements, prospectuses or registration statements prepared in accordance with U.S. laws. The financial statements of Adriatic and Tethyan included or incorporated by reference herein have been prepared in accordance with IFRS, which may differ in material ways from U.S. GAAP.

Information regarding mineral reserve and mineral resource estimates in this Circular or in the documents incorporated by reference herein concerning the properties, operations and royalty interests of Adriatic and Tethyan has been prepared in accordance with the requirements of securities laws in effect in Canada, which may differ in material respects from the requirements of U.S. securities laws applicable to U.S. companies. Under NI 43-101, Tethyan is required to describe mineral resources associated with its properties utilizing definitions of the Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) of “measured”, “indicated” or “inferred” and mineral resource estimates associated with Adriatic’s properties are based upon JORC (as defined in Schedule “H”) definitions. All such categories of mineral resources are recognized by Canadian regulations but are not defined terms under Industry Guide 7 and are generally not permitted to be used in reports and registration statements of U.S. companies filed with the SEC. Accordingly, information contained in this Circular regarding the mineral deposits of Adriatic and Tethyan may not be comparable to similar information disclosed by U.S. companies in reports filed with the SEC. U.S. investors are cautioned not to assume that all or any part of measured mineral resources or indicated mineral resources will ever be converted into mineral reserves. “Inferred resources” have an even greater amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. U.S. readers are cautioned not to assume that all or any part of an inferred resource exists, or is economically or legally mineable.

The enforcement by investors of civil liabilities under U.S. Securities Laws may be affected adversely by the fact that each of Tethyan and Adriatic is organized under the laws of a jurisdiction other than the U.S., that some or all of their respective officers and directors are residents of countries other than the U.S., that some or all of the experts named in this Circular and the documents incorporated by reference herein may be residents of countries other than the U.S., and that all or a substantial portion of the assets of Adriatic and Tethyan and such persons are located outside the U.S. As a result, it may be difficult or impossible for Tethyan Shareholders resident in the U.S. to effect service of process within the U.S. upon Adriatic or officers and directors or the experts named in this Circular and any documents incorporated by reference herein, or to realize, against them, upon judgments of courts in the U.S. predicated upon civil liabilities under the securities laws of the U.S. In addition, Tethyan Shareholders resident in the U.S. should not assume that Canadian courts: (a) would enforce judgments of U.S. courts obtained in actions against such persons predicated upon civil liabilities under the securities laws of the U.S. or the state-specific “blue sky” securities laws of

any state within the U.S.; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the securities laws of the U.S. or “blue sky” laws of any state within the U.S.

Tethyan Shareholders who are resident in the United States or otherwise subject to U.S. tax Laws should be aware that the Arrangement described herein may have tax consequences both in the United States and in Canada. Such consequences for Tethyan Shareholders are not described herein. For a general discussion of the principal Canadian federal income tax considerations to investors who are resident outside Canada, see “Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada”. Tethyan Shareholders who are resident in the United States or otherwise subject to U.S. tax Laws are urged to consult their own tax advisors with respect to such Canadian and U.S. federal income tax consequences and the applicability of any federal, state, local, foreign and other tax laws.

NOTICE TO NON-CANADIAN SECURITYHOLDERS

It is strongly recommended that all Tethyan Shareholders who are not resident in Canada consult their own legal and tax advisors with respect to the income tax consequences applicable in their place of residency in connection with the disposition of their Tethyan Shares or, following completion of the Arrangement, their Adriatic Shares.

GLOSSARY OF TERMS

In this Circular the following capitalized words and terms shall have the following meanings:

“Acquisition Proposal” means other than the transactions contemplated by the Arrangement Agreement, any offer, proposal or inquiry from any Person or group of Persons, whether or not in writing and whether or not delivered to the Tethyan Shareholders, after the date hereof relating to: (a) any acquisition or purchase, direct or indirect, of: (i) the assets of Tethyan and/or one or more of its Subsidiaries that, individually or in the aggregate, constitute 10% or more of the fair market value of the consolidated assets of Tethyan and its Subsidiaries, taken as a whole, or any interest in EFPP or the EFPP Acquisition Agreement; or (ii) 10% or more of any voting or equity securities of Tethyan or any one or more of its Subsidiaries that, individually or in the aggregate, constitute 10% or more of the fair market value of the consolidated assets of Tethyan and its Subsidiaries, taken as a whole; (b) any take-over bid, tender offer or exchange offer that, if consummated, would result in such Person or group of Persons beneficially owning 10% or more of any class of voting or equity securities of Tethyan; (c) a plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or other similar transaction involving Tethyan and/or any of its Subsidiaries whose assets, individually or in the aggregate, constitute 10% or more of the fair market value of the consolidated assets of Tethyan and its Subsidiaries, taken as a whole; or (d) any other transaction, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by the Arrangement Agreement or which would or could reasonably be expected to materially reduce the benefits to Adriatic under the Arrangement Agreement or the Arrangement.

“Adriatic” means Adriatic Metals plc., a company incorporated in England and Wales with registered number 10599833.

“Adriatic Annual Financial Statements” means Adriatic's audited consolidated financial statements for the financial years ended June 30, 2019 and 2018 and for the period from February 3, 2017 to June 30, 2017.

“Adriatic Board” means the board of directors of Adriatic, from time to time, as the context requires.

“Adriatic Half-Year Financial Statements” means Adriatic's unaudited interim condensed consolidated financial statements for the six months ended 31 December 2019.

“Adriatic Options” means an option to purchase Adriatic Shares.

“Adriatic Shareholders” means, at any time, the holders of Adriatic Shares.

“Adriatic Shares” means ordinary shares in the capital of Adriatic.

“Adriatic Termination Fee” means an amount equal to \$700,000 payable by Tethyan to Adriatic as further described under the heading “The Arrangement Agreement – Expenses and Termination Fees” in this Circular.

“Adriatic Termination Fee Event” has the meaning ascribed to such term under the heading “*The Arrangement Agreement – Expenses and Termination Fees*” in this Circular.

“allowable capital loss” has the meaning ascribed to such term under the heading “*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*” in this Circular.

“applicable securities Laws” means collectively, and as the context may require, individually the Canadian Securities Laws, U.S. Securities Laws and UK Securities Laws.

“Arrangement” means the arrangement of Tethyan under the provisions of Section 288 of the BCBCA, on the terms and conditions set forth in the Arrangement Agreement and the Plan of Arrangement, subject to any amendment or supplement thereto in accordance with the Arrangement Agreement and the Plan of Arrangement or made at the direction of the Court in the Interim Order or Final Order.

“Arrangement Agreement” means the arrangement agreement dated June 12, 2020 between Adriatic and Tethyan, as may be amended.

“Arrangement Resolution” means the special resolution approving the Arrangement, to be in substantially the form of Schedule "A" to this Circular, to be considered, and if deemed advisable, passed with or without variation, by the Tethyan Shareholders voting at the Tethyan Meeting.

“ASX” means the Australian Securities Exchange.

“Audit Committee” has the meaning ascribed to such term under the heading “*Audit Committee – Audit Committee Disclosure*” in this Circular.

“authorization” means any authorization, order, permit, approval, grant, licence, registration, consent, right, notification, condition, franchise, privilege, certificate, judgment, writ, injunction, award, determination, direction, decision, decree, by-law, rule or regulation, whether or not having the force of Law.

“BCBCA” means the Business Corporations Act (British Columbia) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time.

“Broadridge” means Broadridge Financial Solutions Inc.

“Business Day” means any day, other than a Saturday, a Sunday or a statutory holiday in Vancouver, British Columbia.

“Canadian Securities Laws” means applicable Canadian provincial and territorial securities Laws.

“CCSS Service” means the CREST Courier and Sorting Service, established by Euroclear UK & Ireland to facilitate, *inter alia*, the deposit and withdrawal of certificated securities.

“CDS” means CDS Clearing and Depositary Services Inc. or its nominee, which at the date of this Circular is CDS & Co.

“CEO” means the Chief Executive Officer of Tethyan.

“CFO” means the Chief Financial Officer of Tethyan.

“**CIM**” has the meaning ascribed to such term under the heading “*Note to U.S. Securityholders*” in this Circular.

“**Circular**” means this management information circular, including all Schedules hereto, and all amendments and supplements hereto.

“**Combined Company**” means Adriatic and all of its subsidiaries after giving effect to the completion of the Arrangement.

“**Combined Company Board**” means the board of directors of the Combined Company.

“**Companies Act**” means the Companies Act 2006 (UK).

“**Computershare**” means Computershare Investor Services Inc., registrar and transfer agent for Tethyan.

“**Computershare UK**” means Computershare Investor Services plc, registrar and transfer agent for Adriatic.

“**Consideration**” means the consideration to be received by Tethyan Shareholders from Adriatic pursuant to the Plan of Arrangement in respect of each Tethyan Share that is issued and outstanding immediately prior to the Effective Time, being 0.166 of an Adriatic Share for each Tethyan Share.

“**Consideration Shares**” means the Adriatic Shares to be issued in exchange for Tethyan Shares pursuant to the Arrangement.

“**Court**” means the Supreme Court of British Columbia.

“**CRA**” means Canada Revenue Agency.

“**CSA**” means the Canadian Securities Administrators.

“**CREST**” means the means the computerised settlement system operated by Euroclear UK & Ireland Limited to facilitate the transfer of title to shares in uncertificated form.

“**Depository**” means Computershare, at such offices as will be set out in the Letter of Transmittal.

“**Dissent Procedures**” means the procedures to be taken by a Registered Tethyan Shareholder in exercising Dissent Rights as set out in Article 4 of the Plan of Arrangement.

“**Dissent Rights**” means the rights of dissent exercisable by Tethyan Shareholders in respect of the Arrangement described in Section 4.1(a) of the Plan of Arrangement.

“**Dissenting Shareholders**” means a holder of Tethyan Shares who dissents in respect of the Arrangement in strict compliance with the Dissent Procedures.

“**DTC**” means The Depository Trust Company.

“**DTR**” means the disclosure guidance and transparency rules of the FCA made in accordance with section 73A of FSMA.

“**Effective Date**” means the effective date of the Arrangement, which shall be the second Business Day following the date on which all of the conditions precedent to the completion of the Arrangement contained in the Arrangement Agreement have been satisfied or waived in accordance with the Arrangement Agreement (other than those conditions which cannot, by their terms, be satisfied until the Effective Date, but subject to satisfaction or waiver of such conditions as of the Effective Date), or such other date as may be mutually agreed by the Parties.

“Effective Time” means 12:01 a.m. (Vancouver time) on the Effective Date, or such other time as may be mutually agreed by Tethyan and Adriatic.

“EFPP” means EFPP d.o.o., a company organized under the laws of Serbia.

“EFPP Acquisition Agreement” means (a) the “Agreement for the Purchase of Shares in EFPP D.O.O” between Tethyan, Cuprum Plus Ltd. and Igor Papic dated January 31, 2020, pursuant to which Tethyan will acquire all of the shares of EFPP; (b) the “Confirmation of the Content and Form of the Participation Agreement 2” between Tethyan and Igor Papic dated February 11, 2020; (c) the letter of intent between Tethyan, Cuprum Plus Ltd. and Igor Papic dated March 20, 2020; (d) the “Confirmation of the Extension of the First Closing Deadline” agreement between Tethyan, Cuprum Plus Ltd. and Igor Papic dated March 20, 2020; (e) the second “Confirmation of the Extension of the First Closing Deadline” agreement between Tethyan, Cuprum Plus Ltd. and Igor Papic dated April 10, 2020; (f) the third “Confirmation of the Extension of the First Closing Deadline” agreement between Tethyan, Cuprum Plus Ltd. and Igor Papic dated April 29, 2020; (g) the May EFPP Amendment; (h) the “Agreement on Execution of Geological Works” between Tethyan Resources d.o.o. and EFPP d.o.o. dated May 14, 2020; and (i) the agreements executed by Tethyan at the First Closing (as defined in the EFPP Acquisition Agreement) as contemplated in the “First Closing Memorandum” between Tethyan, Cuprum Plus Ltd. and Igor Papic dated May 14, 2020.

“EFPP Rights” means all of EFPP's mineral interests and rights (including any material claims, concessions, exploration licenses, exploitation licenses, prospecting permits, mining leases, concessions, bids for mineral rights and mining rights, in each case, either existing under contract, by operation of Law or otherwise).

“EFPP SpinCo” means a company newly incorporated under the laws of Serbia in which Tethyan will hold a 10% ownership stake and each of Cuprum Plus Ltd. And Igor Papic will hold a 45% ownership stake.

“EFPP Spin-Off Transaction” means the completion of the spin-off under the EFPP Acquisition Agreement and the irrevocable assignment and transfer of all of the EFPP Rights and any other permits and authorizations held by EFPP to the EFPP SpinCo, each as contemplated in the May EFPP Amendment, with such modifications to such contemplated structure as may be consented to by Adriatic in writing, acting reasonably.

“Exchange Ratio” means 0.166.

“FCA” means the United Kingdom Financial Conduct Authority.

“Final Order” means the final order of the Court, after a hearing upon the fairness of the terms and conditions of the Arrangement, in a form acceptable to Tethyan and Adriatic, each acting reasonably, approving the Arrangement as such order may be amended by the Court at any time prior to the Effective Date or, if appealed, then, unless such appeal is abandoned or denied, as affirmed or as amended on appeal (provided that any such amendment is acceptable to both Parties, acting reasonably).

“Final Proscription Date” has the meaning ascribed to such term under the heading “*Procedure for Exchange of Tethyan Shares – Cancellation of Rights after Six Years*” in this Circular.

“Former Tethyan Shareholders” means, at and following the Effective Time, the Tethyan Shareholders immediately prior to the Effective Time, including any Dissenting Shareholder.

“Forward-Looking Statements” has the meaning ascribed to such term under the heading “*Cautionary Statement Regarding Forward-Looking Statements*” in this Circular.

“FSMA” means the United Kingdom Financial Services and Markets Act 2000.

“Governmental Entity” means (a) any multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau, agency or entity, domestic or foreign; (b) any stock exchange, including the TSXV; (c) any subdivision, agent, commission, board or authority of any of the foregoing; or (d) any quasi-governmental or private body, including any tribunal, commission, regulatory agency or self-regulatory organization, exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing.

“Holder” has the meaning ascribed to such term under the heading *“Certain Canadian Federal Income Tax Considerations”* in this Circular.

“IFRS” means International Financial Reporting Standards formulated by the International Accounting Standards Board, as updated and amended from time to time.

“Interim Order” means the interim order of the Court contemplated by the Arrangement Agreement and made pursuant to Section 291 of the BCBCA, in a form acceptable to Tethyan and Adriatic, each acting reasonably, providing for, among other things, the calling and holding of the Tethyan Meeting, as the same may be amended by the Court with the consent of Tethyan and Adriatic, each acting reasonably.

“Intermediaries” has the meaning ascribed to such term under the heading *“General Proxy Information”* in this Circular.

“JPA Agreement” has the meaning ascribed to such term under the heading *“Statement of Executive Compensation – NEO Employment, Consulting and Management Agreements”* in this Circular.

“Kizevak and Sastavci Technical Report” means the technical report titled “NI 43-101 report, Kizevak and Sastavci exploration base metals projects, Raska District, Serbia” prepared by Christopher Picken and Timothy J. Strong of Kangari Consulting Ltd. with an effective date of January 10th, 2020.

“Kizevak Project” means the licence for geological exploration no. 310-02-1721/2018-02 dated October 3, 2019 issued by the Serbian Ministry of Energy and Mines to EFPP in respect of the area known as Kiževak.

“KPMG” has the meaning ascribed to such term under the heading *“Particulars of Matters to be Acted Upon – Appointment of Auditor”* in this Circular.

“Laws” means all laws (including common law), by-laws, statutes, rules, regulations, principles of law and equity, orders, rulings, ordinances, judgments, injunctions, determinations, awards, decrees or other requirements, whether domestic or foreign, and the terms and conditions of any permit of or from any Governmental Entity, and the term **“applicable”**, with respect to such Laws and in a context that refers to a Party, means such Laws as are applicable to such Party and/or its Subsidiaries or their business, undertaking, property or securities and emanate from a Person having jurisdiction over the Party and/or its Subsidiaries or its or their business, undertaking, property or securities.

“Letter Agreement” means the binding letter agreement dated May 10, 2020 between the Parties, which Letter Agreement is replaced and superseded in its entirety by the Arrangement Agreement.

“Letter of Transmittal” means the Letter of Transmittal for use by holders of Tethyan Shares.

“Listing Rules” means the listing rules made by the FCA under Section 73A of FSMA.

“Loan” means the amount(s) advanced by Adriatic to Tethyan, from time to time, pursuant to the Loan Agreement.

“Loan Agreement” means a convertible loan agreement dated May 10, 2020 among the Parties and Tethyan Resources Limited.

“LSE” mean the London Stock Exchange.

“**MAR**” means Regulation (EU) No. 596/2014 on market abuse and any delegated or implementing regulations made thereunder.

“**Material Adverse Effect**” means in respect of either Party, any one or more changes, effects, events, developments, occurrences, circumstances or states of fact, either individually or in the aggregate, that is, or could reasonably be expected to be, material and adverse to: (a) in the case of each Party, the assets, liabilities (including any contingent liabilities that may arise through outstanding, pending or threatened litigation or otherwise), business, operations, results of operations, capital, property, obligations (whether absolute, accrued, conditional or otherwise), condition (financial or otherwise) or prospects of such Party and its Subsidiaries and, in the case of Tethyan, EFPP, taken as a whole; and (b) in the case of Tethyan, the rights of Tethyan under the EFPP Acquisition Agreement, its equity interests in EFPP, and the acquisition by Tethyan of the remaining interest in EFPP in accordance with the EFPP Acquisition Agreement, other than changes, effects, events, occurrences, circumstances or states of fact resulting from: (i) any change in the market price of such Party's securities; (ii) any action taken pursuant to or as contemplated by this Agreement or with the prior written consent of the other Party; (iii) changes affecting the global mining industry generally; (iv) any changes in the market price of commodities; (v) general political, economic, financial, currency exchange, securities or commodity market; (vi) the commencement or continuation of any war, armed hostilities or acts of terrorism; or (vii) any change in applicable Law; provided, however, that with respect to clauses (iii), (iv), (v), (vi) and (vii), such changes do not relate primarily to such Party and its Subsidiaries, taken as a whole, or do not have a materially disproportionate effect on such Party and its Subsidiaries and, in the case of Tethyan, EFPP, taken as a whole, relative to other comparable mineral exploration companies.

“**May EFPP Amendment**” means the “Annex to the Agreement for the Purchase of Shares in EFPP D.O.O. Dated 31 January 2020” between Tethyan, Cuprum Plus Ltd. and Igor Papic dated May 8, 2020.

“**Meeting Date**” means the date of the Tethyan Meeting being held on August 17, 2020 unless otherwise agreed by the Parties in writing.

“**MI 61-101**” has the meaning ascribed to such term under the heading “*Interests of Directors and Officers of Tethyan in the Arrangement – Interested Directors and Officers*” in this Circular.

“**Named Executive Officer**” or “**NEO**” has the meaning ascribed to such term under the heading “*Statement of Executive Compensation – Compensation Disclosure and Analysis*” in this Circular.

“**NI 43-101**” means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

“**NI 45-102**” means National Instrument 45-102 – *Resale of Securities*.

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees*.

“**NI 58-101**” means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

“**NI 71-102**” means National Instrument 71-102 – *Continuous Disclosure Obligations and Other Exemptions Relating to Foreign Issuers*.

“**Non-Registered Tethyan Shareholders**” has the meaning ascribed to such term under the heading “*General Proxy Information*” in this Circular.

“**Non-Resident Dissenter**” has the meaning ascribed to such term under the heading “*Certain Canadian Federal Income Tax Considerations – Dissenting Non-Resident Holders*” in this Circular.

“**Non-Resident Holder**” has the meaning ascribed to such term under the heading “*Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada*” in this Circular.

“**Notice of Meeting**” means the notice of meeting of Tethyan Shareholders accompanying this Circular.

“Option Plan 2019” means the share option plan of Adriatic adopted on November 8, 2019.

“Outside Date” means September 30, 2020, or such later date as may be agreed to in writing by the Parties;

“Parties” means Adriatic and Tethyan, and **“Party”** means any of them.

“Person” includes an individual, partnership, association, body corporate, trustee, executor, administrator, legal representative, government (including any Governmental Entity) or any other entity, whether or not having legal status.

“Plan Holder” has the meaning ascribed to such term under the heading *“Certain Canadian Federal Income Tax Considerations – Eligibility for Investment by Registered Plans”* in this Circular.

“Plan of Arrangement” means the plan of arrangement of Tethyan, substantially in the form of Schedule "B" attached to this Circular, and any amendments or variations thereto made in accordance with the Arrangement Agreement, the Plan of Arrangement or upon the direction of the Court in the Interim Order or the Final Order, with the prior written consent of the Parties, acting reasonably.

“Proposed Agreement” has the meaning ascribed to such term under the heading *“The Arrangement Agreement – Non-Solicitation / Right to Match”* in this Circular.

“Proposed Amendments” has the meaning ascribed to such term under the heading *“Certain Canadian Federal Income Tax Considerations”* in this Circular.

“Qualified Person” has the meaning ascribed to such term in NI 43-101.

“Record Date” means July 3, 2020.

“Registered Plans” has the meaning ascribed to such term under the heading *“Certain Canadian Federal Income Tax Considerations – Eligibility for Investment by Registered Plans”* in this Circular.

“Registered Tethyan Shareholders” has the meaning ascribed to such term under the heading *“General Proxy Information”* in this Circular.

“Replacement Options” means the Adriatic Options to be issued to holders of Tethyan Options at the Effective Time.

“Replacement Warrants” means the warrants to purchase Adriatic Shares to be issued to holders of Tethyan Warrants at the Effective Time.

“Resident Dissenter” has the meaning ascribed to such term under the heading *“Certain Canadian Federal Income Tax Considerations – Dissenting Resident Holders”* in this Circular.

“Resident Holder” has the meaning ascribed to such term under the heading *“Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada”* in this Circular.

“Response Period” has the meaning ascribed to such term under the heading *“The Arrangement Agreement – Non-Solicitation / Right to Match”* in this Circular.

“Sastavci Project” means the licence for geological explorations no. 310-02-1722/2018-02 dated October 7, 2019 issued by the Serbian Ministry of Energy and Mines to EFPP in respect of the area known as Sastavci.

“SDRT” has the meaning ascribed to such term under the heading *“Certain U.K. Tax Considerations”* in this Circular.

“SEC” means the United States Securities and Exchange Commission.

“**Securities Authorities**” means the securities regulatory authorities in each of the provinces and territories of Canada.

“**Securityholder’s Securities**” has the meaning ascribed to such term under the heading “*The Voting Support Agreements*” in this Circular.

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval.

“**Services Agreement**” has the meaning ascribed to such term under the heading “*Statement of Executive Compensation – Director Compensation*” in this Circular.

“**Sterling**” means the lawful currency of the United Kingdom of Great Britain and Northern Ireland.

“**Subsidiary**” has the meaning ascribed thereto in National Instrument 45-106 – *Prospectus and Registration Exemptions* of the CSA.

“**Superior Proposal**” means an unsolicited bona fide written Acquisition Proposal made by a third party to Tethyan or its shareholders in writing after the date of the Arrangement Agreement:

- (a) to purchase or otherwise acquire, directly or indirectly, by means of a merger, take-over bid, amalgamation, plan of arrangement, business combination, consolidation, recapitalization, liquidation, winding-up or similar transaction, all of the Tethyan Shares;
- (b) that is reasonably capable of being completed without undue delay, taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal and the party making such Acquisition Proposal;
- (c) is not subject to any financing condition and in respect of which any required financing to complete such Acquisition Proposal has been demonstrated to be available to the satisfaction of the Tethyan Board acting in good faith (after receipt of advice from its financial advisors and outside legal counsel is obtained);
- (d) which is not subject to a due diligence and/or access condition;
- (e) that did not result from a breach of Section 7.1 of the Arrangement Agreement by Tethyan or its representatives;
- (f) is made available to all Tethyan Shareholders on the same terms and conditions, including, but not limited to, as to the form and amount of consideration offered thereunder; and
- (g) in respect of which the Tethyan Board determines in good faith (after receipt of advice from its outside legal counsel) that:
 - (i) such Acquisition Proposal is reasonably capable of completion without undue delay, taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal and the Person making such Acquisition Proposal;
 - (ii) failure to recommend such Acquisition Proposal to its shareholders would be inconsistent with its fiduciary duties under applicable Law; and
 - (iii) such Acquisition Proposal would, taking into account all of the terms and conditions of such Acquisition Proposal, if consummated in accordance with its terms (but not assuming away any risk of non-completion), result in a transaction more favourable to its shareholders from a financial point of view than the Arrangement (including any adjustment to the terms and conditions of the Arrangement proposed by Adriatic pursuant to Section 7.1(e) of the Arrangement Agreement).

“**Supporting Tethyan Shareholders**” means the directors of Tethyan and certain Tethyan Shareholders who have executed Voting Support Agreements.

“**tax**” and “**taxes**” means all federal, state, local, provincial, branch or other taxes, including, without limitation, income, gross receipts, windfall profits, value added, ad valorem, property, capital, net worth, production, sales, use, licence, excise, franchise, employment, sales taxes, use taxes, value added taxes, transfer taxes, withholding or similar taxes, payroll taxes, employment taxes, pension plan premiums, social security premiums, workers’ compensation premiums, employment insurance or compensation premiums, stamp taxes, occupation taxes, premium taxes, mining taxes, alternative or add-on minimum taxes, goods and services tax, customs duties or other taxes of any kind whatsoever imposed or charged by any Governmental Entity, together with any interest, penalties, or additions with respect thereto and any interest in respect of such additions or penalties.

“**taxable capital gain**” has the meaning ascribed to such term under the heading “*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*” in this Circular.

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, as may be amended from time to time.

“**Tethyan**” means Tethyan Resource Corp., a corporation existing under the BCBCA.

“**Tethyan Board**” means the board of directors of Tethyan.

“**Tethyan Change in Recommendation**” has the meaning ascribed to such term under the heading “*The Arrangement Agreement – Termination*” in this Circular.

“**Tethyan Confidentiality Agreements**” means the confidentiality deed between each of the Parties and Augusta Capital Corporation dated September 16, 2019 and the confidentiality agreement between the Parties dated September 18, 2019.

“**Tethyan Meeting**” means the special meeting of Tethyan Shareholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution.

“**Tethyan Optionholders**” means the holders of Tethyan Options.

“**Tethyan Options**” means an option to purchase Tethyan Shares granted under the Tethyan Plan.

“**Tethyan Plan**” means Tethyan’s 2019 Stock Option Plan, as such plan may be amended from time to time.

“**Tethyan Proxy**” means the form of proxy delivered to Tethyan Shareholders.

“**Tethyan Shareholder Approval**” means the requisite approval for the Arrangement Resolution, being not less than two-thirds of the votes cast on the Arrangement Resolution by the Tethyan Shareholders, voting as a single class.

“**Tethyan Shareholders**” means, at any time, the holders of Tethyan Shares.

“**Tethyan Shares**” means common shares in the capital of Tethyan.

“**Tethyan Termination Fee**” means an amount equal to \$350,000 payable by Adriatic to Tethyan as further described under the heading “*The Arrangement Agreement – Expenses and Termination Fees*” in this Circular.

“**Tethyan Termination Fee Event**” has the meaning ascribed to such term under the heading “*The Arrangement Agreement – Expenses and Termination Fees*” in this Circular.

“**Tethyan Warrantholders**” means the holder of Tethyan Warrants.

“**Tethyan Warrants**” means outstanding common share purchase warrants entitling the holder thereof to acquire Tethyan Shares.

“**TSXV**” means the TSX Venture Exchange.

“**U.K. Securities Laws**” means the applicable securities legislation of the United Kingdom, and the rules, regulations and policies published or promulgated thereunder.

“**U.S. Exchange Act**” means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“**U.S. Securities Act**” means the United States Securities Act of 1933, as the same has been, and hereinafter from time to time may be, amended.

“**U.S. Securities Laws**” means all applicable securities legislation in the U.S., including without limitation, the U.S. Securities Act and the U.S. Exchange Act, and the rules and regulations promulgated thereunder, including judicial and administrative interpretations thereof, and the securities laws of the states of the U.S.

“**Vareš Project**” means means the Vareš project, located approximately 50 kilometres north of the Bosnian capital, Sarajevo, in the district of Vareš, consisting of two advanced exploration projects, Veovača and Rupice, and various regional exploration targets.

“**VIF**” has the meaning ascribed to such term under the heading “*General Proxy Information – Voting by Non-Registered Tethyan Shareholders*” in this Circular.

“**Voting Support Agreements**” means the voting support and lock-up agreements (including all amendments thereto) between Adriatic and the Supporting Tethyan Shareholders setting forth the terms and conditions upon which they have agreed, among other things, not to sell, transfer or dispose of any Tethyan Shares for the time period specified therein, to vote their Tethyan Shares, Tethyan Options and Tethyan Warrants in favour of the Arrangement Resolution and to otherwise support the Arrangement.

“**VWAP**” means the volume weighed average price.

SUMMARY OF CIRCULAR

This summary should be read together with and is qualified in its entirety by the more detailed information and financial data and statements contained elsewhere in this Circular, including the schedules hereto and documents incorporated into this Circular by reference. Capitalized terms in this summary have the meanings set out in the Glossary of Terms. A copy of the Arrangement Agreement, which is incorporated by reference in this Circular, may be viewed on SEDAR at www.sedar.com under the filings made by Tethyan.

The Tethyan Meeting

The Tethyan Meeting will be held on **Monday August 17, 2020** at 10:00 a.m. (*Pacific Daylight Time*). The record date for determining the Tethyan Shareholders entitled to receive notice of and to vote at the Tethyan Meeting is July 3, 2020. Only Tethyan Shareholders of record as of the close of business (*Pacific Daylight Time*) on the Record Date are entitled to receive notice of and to vote at the Tethyan Meeting.

In order to comply with measures imposed by the federal and provincial governments related to the COVID-19 pandemic, and to mitigate risks to the health and safety of our communities, shareholders, and other stakeholders, unless we advise otherwise by way of news release and on our website (www.tethyan-resources.com), the Tethyan Meeting will be held in **virtual only format**, which will be conducted via telephone conference. Registered Tethyan Shareholders and validly appointed proxyholders may attend the meeting by calling 1-877-407-2991 (toll-free in Canada and the United States) or 201-389-0925 (international). Registered Tethyan Shareholders who attend the virtual meeting will have an equal opportunity to participate at the Tethyan Meeting, regardless of their geographic location.

Tethyan Optionholders and Tethyan Warrantholders will not be entitled to vote on the Arrangement Resolution or any other matters to be considered at the Tethyan Meeting. If the Arrangement is completed, each Tethyan Option and each Tethyan Warrant will be exchanged for options and warrants of Adriatic and automatically adjusted as contemplated by the Plan of Arrangement. As a result thereof, Tethyan Optionholders and Tethyan Warrantholders will receive the same consideration, upon exercise of their Tethyan Options or Tethyan Warrants, that Tethyan Shareholders will receive pursuant to the Arrangement.

Purpose of the Tethyan Meeting

The primary purpose of the Tethyan Meeting is for Tethyan Shareholders to consider and vote upon the Arrangement Resolution, the full text of which is set out in Schedule "A" to this Circular.

Management of Tethyan and the Tethyan Board recommend that Tethyan Shareholders vote FOR the Arrangement Resolution.

Annual general meeting matters will also be considered at the Tethyan Meeting.

Parties to the Arrangement

Tethyan is a corporation existing under the BCBCA. Tethyan's head office is located at Suite 555 – 999 Canada Place, Vancouver, British Columbia, V6C 3E1 and its registered office is located at Suite 1200 – 750 West Pender Street, Vancouver, British Columbia, V6C 2T8. Tethyan is a reporting issuer in British Columbia and Alberta and the Tethyan Shares are listed for trading on the TSXV under the symbol "TETH".

Adriatic is a corporation existing under the Companies Act. Adriatic's head office and registered office is located at Ground Floor, Regent House, 65 Rodney Road, Cheltenham, GL50 1HX, United Kingdom. The Adriatic Shares are listed for trading on the ASX under the symbol "ADT" and the LSE under the symbol "ADT1".

See Schedule "F" of this Circular for a description of Adriatic and Schedule "G" in this Circular for a description of Adriatic after giving effect to the Arrangement.

Effects of the Arrangement

Combined Company

In the event that the Arrangement is completed, Tethyan will become a wholly-owned subsidiary of Adriatic. The Combined Company's mineral projects will include Adriatic's Vareš Project and Tethyan's interest in the Kizevak Project and Sastavci Project following the completion of the Arrangement. As a result of the Arrangement, the Combined Company will become a reporting issuer in British Columbia and Alberta, and Adriatic expects to apply to the applicable Canadian securities regulators to have Tethyan cease to be a reporting issuer. The Tethyan Shares will be delisted from the TSXV, and the Adriatic Shares will continue to trade on the LSE and ASX.

Following the completion of the Arrangement, it is expected that the Combined Company Board will be the current Adriatic Board, which is comprised of the following directors: (i) Peter Bilbe (ii) Paul Cronin; (iii) Michael Rawlinson; (iv) Julian Barnes; and (v) Sandra Bates.

Following the completion of the Arrangement, Fabian Baker, a director and the President and Chief Executive Officer of Tethyan, will join the Combined Company as Corporate Development Manager, and it is expected that the current Adriatic management will continue as management of the Combined Company. The current Adriatic management is comprised of the following: (i) Paul Cronin, Chief Executive Officer; (ii) Graham Hill, Chief Operating Officer; (iii) Geoff Eyre, Chief Financial Officer and Joint Company Secretary; (iv) Phil Fox, Chief Geologist; (v) Gabriel Chiappini, Joint Company Secretary; and (vi) Adnan Teletovic, General Manager.

See Schedule "G" of this Circular.

Tethyan Shareholders

Pursuant to the Arrangement, each Tethyan Shareholder (other than any Dissenting Shareholder) immediately prior to the Effective Time will receive 0.166 of one Adriatic Share in exchange for each Tethyan Share held. If a holder is entitled to a fraction of an Adriatic Share, such number will be rounded down to the nearest whole number. See "*The Arrangement – Description of the Plan of Arrangement*" in this Circular. See also "*Procedure for Exchange of Tethyan Shares*" in this Circular.

Tethyan Optionholders

Each outstanding Tethyan Option will be exchanged for Replacement Options issued pursuant to the Option Plan 2019. Each Replacement Option will entitle the holder to purchase from Adriatic the number of Adriatic Shares (rounded down to the nearest whole number) equal to the Exchange Ratio, multiplied by the number of Tethyan Shares subject to such Tethyan Option immediately prior to the Effective Time, at an exercise price per Adriatic Share (rounded up to the nearest whole penny) equal to (i) the exercise price per Tethyan Share otherwise purchasable pursuant to such Tethyan Option immediately prior to the Effective Time, divided by (ii) the Exchange Ratio. The exercise prices of the Replacement Options will be expressed, and payable, in Sterling, with such exercise prices converted from Canadian dollars to Sterling based upon the "Daily Spot Exchange Rate" for the Canadian dollar against Sterling published by the Bank of England on the Effective Date.

Other than as set out above, the term to expiry and, subject to compliance with listing conditions of the LSE and the ASX, the conditions to and manner of exercising, vesting schedule and all other terms and conditions of such Replacement Options will be the same as the Tethyan Option for which it was exchanged. However, the terms of the Option Plan 2019 shall apply, govern and supersede the terms of any Tethyan Options in exchange for which the Replacement Options are issued. See "*The Arrangement – Description of the Plan of Arrangement*" and "*Procedure for Exchange of Tethyan Shares – Replacement Options and Replacement Warrants*" in this Circular.

Tethyan Warrantholders

Each outstanding Tethyan Warrant will be exchanged for Replacement Warrants. Each Replacement Warrant will entitle the holder to purchase from Adriatic the number of Adriatic Shares (rounded down to the nearest whole number) equal to the Exchange Ratio, multiplied by the number of Tethyan Shares subject to such Tethyan Warrant immediately prior to the Effective Time, at an exercise price per Adriatic Share (rounded up to the nearest whole penny) equal to (i) the exercise price per Tethyan Share otherwise purchasable pursuant to such Tethyan Warrant immediately prior to the Effective Time, divided by (ii) the Exchange Ratio. The exercise prices of the Replacement Warrants will be expressed, and payable, in Sterling, with such exercise prices converted, where necessary, from Canadian dollars to Sterling based upon the “Daily Spot Exchange Rate” for the Canadian dollar against Sterling published by the Bank of England on the Effective Date.

Other than as set out above, the term to expiry and, subject to compliance with listing conditions of the LSE and the ASX, the conditions to and manner of exercising and all other terms and conditions of such Replacement Warrants will be the same as the Tethyan Warrants for which it was exchanged. See *“The Arrangement – Description of the Plan of Arrangement”* and *“Procedure for Exchange of Tethyan Shares – Replacement Options and Replacement Warrants”* in this Circular.

Tethyan Shareholder Approval

The requisite approval for the Arrangement Resolution shall be not less than two-thirds of the votes cast on the Arrangement Resolution by the Tethyan Shareholders, who are present via telephone conference or by proxy at the Tethyan Meeting and entitled to vote thereat in accordance with the provisions of the BCBCA, the Interim Order and the requirements of any applicable regulatory authority.

Tethyan Optionholders and Tethyan Warrantholders will not be entitled to vote on the Arrangement Resolution or any other matters to be considered at the Tethyan Meeting. If the Arrangement is completed, each Tethyan Option and each Tethyan Warrant will be assumed by Adriatic and automatically adjusted as contemplated by its terms. As a result thereof, Tethyan Optionholders and Tethyan Warrantholders will receive the same consideration, upon exercise of their Tethyan Options or Tethyan Warrants and payment of aggregate consideration payable therefore, that Tethyan Shareholders will receive pursuant to the Arrangement.

The Arrangement Resolution must be approved in order for Tethyan to seek the Final Order and implement the Arrangement on the Effective Date. See *“The Arrangement – Shareholder and Court Approval”* in this Circular.

If the Arrangement Resolution does not receive the requisite approval of Tethyan Shareholders, the Arrangement will not proceed.

The Arrangement

Background to the Arrangement

The following is a summary of the principal meetings, discussions and activities that preceded the execution of the Arrangement Agreement, and the subsequent public announcement of the Arrangement.

Since September 2016, Tethyan has been focused on consolidating exploration licences over a district of historical mines and exploration prospects situated in the Raska district of Southwestern Serbia, which are adjacent to the past-producing Kizevak and Sastavci silver-zinc-lead mines. Following the grant of the exploration licences that comprise the Kizevak Project and Sastavci Project to EFPP in October 2019, Tethyan began evaluating and negotiating the acquisition of EFPP. See Schedule “I” of this Circular for a description of the Kizevak Project and Sastavci Project.

In September 2019, Tethyan and Adriatic entered into the Tethyan Confidentiality Agreements, under which Tethyan and Adriatic began due diligence on each other with a view to a potential transaction. Tethyan’s due diligence included a site visit, independent valuation, close legal review of title to Adriatic’s mineral properties and licenses, and a corporate review in both the UK and Serbia.

Between January and May of 2020, Tethyan entered into the various agreements in connection with the EFPP Acquisition Agreement, pursuant to which Tethyan agreed to acquire EFPP. Under the EFPP Acquisition Agreement, Tethyan agreed to acquire EFPP in two steps, an initial ‘first closing’ whereby Tethyan acquired 10% of the shares of EFPP and management control of EFPP, and a 12 month period in which to decide, in its sole discretion, whether to proceed to a ‘second closing’ pursuant to which Tethyan has the right to acquire the remaining 90% of the shares of EFPP. The Terms of the EFPP Acquisition Agreement are as follows:

- *First Closing:* In consideration for 10% of the shares of EFPP, Tethyan paid to the sellers a total of €625,000 cash to complete the first closing.
- *Second Closing:* At any time within 12 months of the first closing, Tethyan may elect to acquire the remaining 90% of shares of EFPP by:
 - paying €1,375,000;
 - granting to the sellers a 2% net smelter return over the Kizevak Project and Sastavci Project;
 - issuing a total of 4,000,000 Tethyan Shares, to be issued in four equal tranches of 1,000,000 Tethyan Shares, with the first tranche issued on the second closing and each additional tranche issued every six months thereafter; and
 - paying a deferred cash payment of €500,000 on the two-year anniversary of the first closing.
- Should the second closing not be completed, the 10% ownership interest in EFPP will be forfeited.

Through the spring of 2020, management of Tethyan was focused on raising the funds required to complete the first closing under the EFPP Acquisition Agreement. Commencing in March 2020, representatives of Tethyan and Adriatic met for formal discussions regarding the Arrangement, or a similar transaction between Tethyan and Adriatic, which transaction would include financing to allow Tethyan to complete the first closing under the EFPP Acquisition Agreement and commence drilling on the Kizevak Project and Sastavci Project. Through April and May, 2020, Tethyan and Adriatic and their respective financial and legal advisors negotiated the terms of the Letter Agreement and the Loan Agreement.

During this time, management of Tethyan also contemplated various alternative transactions to the Arrangement, including private placements and other forms of financing, however none were achievable in the timeframe required due to lengthy due diligence processes, and the outcome of such possible alternatives was uncertain. Other more advanced discussions did not result in an offer of financing.

On May 7, 2020, the Tethyan Board met to consider the terms of the Letter Agreement and the Loan Agreement. After careful consideration and taking into account the arm’s length negotiations between Tethyan and Adriatic, due diligence performed by Tethyan on Adriatic, the best interests of Tethyan and its securityholders, and consultation with its financial and legal advisors, the Tethyan Board unanimously resolved to approve the Letter Agreement, Loan Agreement and the transactions contemplated thereunder. See “*Recommendation of the Tethyan Board*” and “*Reasons for the Tethyan Board Recommendation*” below.

On May 10, 2020, Tethyan and Adriatic executed the Letter Agreement and Loan Agreement. Pursuant to the Loan Agreement, Adriatic agreed to advance to Tethyan up to €1,300,000 in three tranches, with the first €1,000,000 million of the Loan advanced on signing. The remaining terms of the Loan Agreement are as follows:

- *Use of proceeds:* The Loan may be used to fund the first closing under the EFPP Acquisition Agreement, commence confirmation drilling on the Kizevak Project, and fund reasonable expenses of Tethyan through to completion of the Arrangement.

- *Interest:* Interest accrues and is payable from the earlier of the date the Arrangement is terminated and the date any amounts become due under the Loan Agreement, at a rate of 10% per annum, compounded monthly, increasing to 15% on an event of default.
- *Repayment:* The Loan must be repaid on the earlier of:
 - (a) May 10, 2021;
 - (b) termination of the Arrangement Agreement in a manner that gives rise to the Adriatic Termination Fee;
 - (c) 45 days after termination of the Arrangement Agreement by mutual agreement; and
 - (d) 30 days after the date of the Tethyan Meeting, if the Tethyan Shareholders fail to approve the Arrangement Resolution.
- *Conversion:* Following termination of the Arrangement Agreement, Adriatic may elect to convert the outstanding amount of the Loan into Tethyan Shares at a conversion price of \$0.15 per Tethyan Share, provided that any conversion of interest will be at the Market Price (as defined in the policies of the TSXV) at the time of conversion.
- *Security:* The Loan is secured by a general security agreement over all assets of Tethyan, an equitable mortgage of shares over the issued shares of Tethyan Resources Limited (Tethyan's wholly-owned U.K. subsidiary), a debenture creating a floating security over all assets of Tethyan Resources Limited and a pledge of shares over the issued capital of Taor d.o.o. (Tethyan's wholly-owned Serbian subsidiary).
- *Default:* The Loan Agreement contains the usual and customary events of default for an agreement of the nature of the Loan Agreement, plus termination of the Arrangement Agreement in a manner that gives rise to payment of the Adriatic Termination Fee and occurrence of any Material Adverse Effect. On an event of default, Adriatic may declare the Loan immediately due and payable.

On May 14, 2020, Tethyan completed the first closing under the EFPP Acquisition Agreement.

Through May and early June, 2020, Tethyan and Adriatic, together with their legal and financial advisors, drafted and negotiated the Arrangement Agreement. On June 9, 2020, the Tethyan Board reviewed the terms of the Arrangement Agreement (which includes the Plan of Arrangement). After careful consideration and taking into account the best interests of Tethyan and consultation with its financial and legal advisors, the Tethyan Board resolved to approve the Arrangement Agreement and the Plan of Arrangement and the transactions contemplated thereunder. The Arrangement Agreement was executed on June 12, 2020.

Recommendation of the Tethyan Board

After careful consideration, and based upon a thorough review of the Letter Agreement, Loan Agreement, and Arrangement Agreement, as well as a thorough review of other matters, including those discussed below, the Tethyan Board determined that the Arrangement is in the best interests of Tethyan and the Tethyan Shareholders. **Accordingly, the Tethyan Board unanimously approved the entering into of the Letter Agreement, Loan Agreement and Arrangement Agreement, and recommends that Tethyan Shareholders vote FOR the Arrangement Resolution.**

Reasons for the Tethyan Board Recommendation

In the course of the evaluation of the Arrangement by the Tethyan Board, the Tethyan Board consulted with its senior management, and its legal counsel and performed financial, technical and legal due diligence with the help of their advisors and experts and considered a number of factors, including, among others, the following:

- **Immediate and Significant Premium to Tethyan Shareholders:** The Exchange Ratio represents an implied price of \$0.184 per Tethyan Share based on the 20-day VWAP of Adriatic calculated as at May 8, 2020, being the last trading day prior to announcement of the Arrangement, which is a premium of:
 - 29% to the closing price of \$0.15 per Tethyan Share as at May 8, 2020;
 - 41% to the 5-day VWAP of \$0.138 per Tethyan Share as at May 8, 2020; and
 - 47% to the 20-day VWAP of \$0.131 per Tethyan Share calculated as at May 8, 2020.
- **Facilitating the Acquisition of EFPP:** The Loan enabled Tethyan to complete the first closing of the acquisition of EFPP. The benefits of acquiring the Kizevak Project and Sastavci Project include the following:
 - The projects are contiguous with Tethyan's existing exploration rights and the acquisition would complete the consolidation of a district of known silver-zinc-lead vein-type and copper-gold porphyry deposits, presenting numerous strategic advantages;
 - The projects include two past-producing open pit silver-zinc-lead mines and indicate excellent brownfield exploration potential (See Schedule "I" of this Circular); and
 - Serbia is establishing itself as a recognised mining jurisdiction, attracting significant investment interest.
- **Financing in Current Markets:** The Loan enabled Tethyan to complete the first closing of the acquisition of EFPP, to commence confirmation drilling at the Kizevak Project, and to meet the expenses and costs of Tethyan through to completing the Arrangement. As at March 31, 2020, Adriatic had cash of £11.8 million. On completion of the Arrangement, the Combined Company will be well-capitalized and positioned to advance its key projects. Mining companies face challenges in raising project financing in current markets, and other financings were not available to Tethyan in the timeframe required or would have been highly dilutive.
- **Creation of a Prominent Balkan Polymetallic Exploration and Development Company:** Adriatic holds a 100% interest in the Vareš Project in Bosnia and Herzegovina, which includes the historic open pit mine at Veovača and brownfield exploration at Rupice. The addition of Tethyan's brownfield projects, the Kizevak Project and Sastavci Project, and its large prospective landholding on the Tethyan mineral belt positions the Combined Company as a leading Balkan base and precious metals developer with a total land package in excess of 301km² across Bosnia and Serbia. See Schedule "F" in this Circular for details of Adriatic's properties and business.
- **Participation in Significant Projects and Immediate Funding:** Tethyan Shareholders will have the ability to participate in the Combined Company and its Vareš Project, while retaining an interest in the Kizevak Project and Sastavci Project at an increased pace of development, as Adriatic brings funding to progress the projects and an experienced project development team.
- **Highly Prospective Land Package:** With its key projects, the Combined Company will have a long-term project development pipeline, and an attractive portfolio of regional exploration targets.
- **Potential Synergies in Operations:** There is the potential for synergies between Adriatic's operations in Bosnia and Tethyan's operations in Serbia that may lead to stronger exploration, development and permitting ability. There is also the potential for operational and logistics synergies, staff training, and once in production, downstream processes such as blending of concentrates.

- **Management Team:** The senior executive team of the Combined Company will draw from the extensive experience and expertise of both Adriatic and Tethyan. Adriatic has an experienced project development team, while Tethyan has a well-established team in Serbia to assist with permitting and project development and strong links with the local communities in which it operates.
- **Key Shareholder Support:** The directors and certain significant Tethyan Shareholders representing 54.3% of the issued and outstanding Tethyan Shares, have entered into the Voting Support Agreements, committing to vote their Tethyan Shares in favour of the Arrangement. Additionally, Tethyan Shareholders holding 38.3% of the issued and outstanding Tethyan Shares have agreed not to, directly or indirectly sell, transfer or otherwise dispose of any Adriatic Shares or Tethyan Shares until the earlier of: (a) six months after the Effective Time; and (b) any date after the Effective Time where the volume weighted average price of the Adriatic Shares on the ASX for the preceding 30 calendar day period is A\$2.00 or more.
- **Shareholders can Support a Higher Offer:** The Arrangement Agreement does not preclude an unsolicited third party from proposing or making a Superior Proposal and does not preclude the Tethyan Board from considering and acting on a Superior Proposal, prior to the Tethyan Meeting, provided the Tethyan Board complies with the terms of the Arrangement Agreement. See “*The Arrangement Agreement – Non-Solicitation/Right to Match*” in this Circular.
- **No Financing Condition:** The Arrangement is not subject to any financing condition.
- **Dissent Rights:** Registered Tethyan Shareholders who oppose the Arrangement may, upon compliance with certain conditions, exercise Dissent Rights and receive fair value for their Tethyan Shares.
- **Court and Shareholder Approval:** The material conditions required for completion of the Arrangement, including Tethyan Shareholder and Court approvals were considered by the Tethyan Board to be reasonable in the circumstances.
- **Arm’s Length Negotiations:** The Arrangement Agreement was the result of arm’s length negotiations between Adriatic and Tethyan.

The reasons for recommending the Arrangement include certain assumptions relating to forward-looking information, and such information and assumptions are subject to various risks. See “*Cautionary Statement Regarding Forward-Looking Statements*” and “*Risk Factors – Risk Factors Relating to the Arrangement*” in this Circular.

The foregoing summary of the information and factors considered by the Tethyan Board is not intended to be exhaustive. In view of the variety of factors and the amount of information considered in connection with its evaluation of the Arrangement, the Tethyan Board did not find it practical to, and did not, quantify or otherwise attempt to assign any relative weighting to each specific factor considered in reaching their respective conclusions and recommendations.

The Tethyan Board’s recommendation was made after considering all of the above-noted factors, in light of the Tethyan Board’s knowledge of the business, financial condition and prospects of Tethyan, and the advice of financial advisors and legal advisors to the Tethyan Board.

Arrangement Agreement and Plan of Arrangement

The Arrangement will be effected in accordance with the Arrangement Agreement, which includes the Plan of Arrangement. A summary of the material terms of the Arrangement Agreement is set out under the heading “*The Arrangement Agreement*” in this Circular and is subject to and qualified in its entirety by the full text of the Arrangement Agreement, which is incorporated by reference in this Circular. A copy of the Arrangement Agreement may be viewed under Tethyan’s profile on SEDAR at www.sedar.com.

A summary of the material terms of the Plan of Arrangement is set out under the heading “*The Arrangement – Description of the Plan of Arrangement*” in this Circular, and is qualified in its entirety by the full text of the Plan of Arrangement, attached as Schedule “B” to this Circular.

Voting Support Agreements

Adriatic has entered into Voting Support Agreements with each of the Supporting Tethyan Shareholders who hold, an aggregate of 43,348,550 Tethyan Shares, 1,650,000 Tethyan Options and 15,995,699 Tethyan Warrants. The Tethyan Shares subject to the Voting Support Agreements represent 54.3% of the issued and outstanding Tethyan Shares. The Voting Support Agreements set forth, among other things and subject to certain exceptions, the agreement of the Supporting Tethyan Shareholders to vote in favour of the Arrangement Resolution, all securities of Tethyan now held or thereafter acquired by them that are entitled to vote on the matter, at the Tethyan Meeting. A summary of the key terms of the Voting Support Agreements is included under the heading “*The Voting Support Agreements*” in this Circular.

Court Approval of the Arrangement

An arrangement under the provisions of Section 288 of the BCBCA requires approval by the Court.

On July 13, 2020, Tethyan obtained the Interim Order providing for, collectively, the calling and holding of the Tethyan Meeting, the Tethyan Dissent Rights and certain other procedural matters. The full text of the Interim Order is set out in Schedule “C” to this Circular. Subject to the terms of the Arrangement Agreement, and if the Arrangement Resolution is approved by Tethyan Shareholders at the Tethyan Meeting in the manner required by the Interim Order, Tethyan will re-attend before the Court for the issuance of the Final Order.

See “*The Arrangement – Shareholder and Court Approval*” in this Circular.

Dissent Rights

Under applicable Canadian Laws, Registered Tethyan Shareholders have Dissent Rights with respect to the Arrangement.

Any Registered Tethyan Shareholder who dissents from the Arrangement Resolution in accordance with Section 237 to 247 of the BCBCA, and Article 4 of the Plan of Arrangement, are ultimately entitled to be paid fair value for their Tethyan Shares, and shall be deemed to have transferred such Tethyan Shares to Adriatic as of the Effective Time without any further act or formality and free and clear of all liens, claims and encumbrances, in consideration for the payment by Adriatic of the fair value thereof, in cash.

Notwithstanding subsection 242(a) of the BCBCA, to exercise the Dissent Rights, a written notice of objection to the applicable Arrangement Resolution must be received by Tethyan not later than 5:00 p.m. (*Pacific Daylight Time*) on the Business Day that is two Business Days before August 17, 2020 or any date to which the Tethyan Meeting may be postponed or adjourned.

See “*The Arrangement – Dissent Rights*” in this Circular.

Conditions to the Arrangement Becoming Effective

The implementation of the Arrangement is subject to certain conditions precedent being satisfied or waived by one or more of the applicable parties at or before the Effective Date, including, among other things, the following.

- *Shareholder Approvals*: The Arrangement will not proceed if the requisite Tethyan Shareholder Approval is not received.
- *Final Order*: The Arrangement will not proceed if the Final Order is not granted by the Court.

- *Stock Exchange Acceptance:* The Arrangement will not proceed if the required acceptance by the TSXV, LSE, FCA and ASX to the transactions contemplated herein is not received.
- *Dissent Rights:* It is a condition to completion of the Arrangement that Tethyan Shareholders holding no more than 5% of outstanding Tethyan Shares shall have exercised Dissent Rights.
- *EFPP Transaction:* The Arrangement will not proceed if the EFPP Spin-Off Transaction has not been completed.

The Arrangement Agreement also provides that the respective obligations of Tethyan and Adriatic to complete the Arrangement are subject to the satisfaction or waiver of certain additional conditions precedent, including, there having not occurred any Material Adverse Effect in respect of either Tethyan or Adriatic.

See “*The Arrangement Agreement – Conditions Precedent to the Arrangement*” in this Circular.

Non-Solicitation of Acquisition Proposals

Pursuant to the Arrangement Agreement, Tethyan has agreed not to solicit, initiate, encourage or facilitate any Acquisition Proposals. However, the Tethyan Board does have the right to consider and accept a Superior Proposal prior to the Tethyan Meeting under certain conditions. Adriatic has the right to match any Acquisition Proposal that the Tethyan Board has determined is, or is reasonably likely to be or lead to, a Superior Proposal in accordance with the Arrangement Agreement.

If Tethyan terminates the Arrangement Agreement in order to accept a Superior Proposal, Tethyan must pay Adriatic a termination fee of \$700,000, cover Adriatic’s expenses of up to \$150,000, and repay the Loan in full.

See “*The Arrangement Agreement – Non-Solicitation / Right to Match*” in this Circular.

Termination

The Arrangement Agreement may be terminated by Tethyan or Adriatic upon the occurrence of certain specified events. See “*The Arrangement Agreement – Termination*” in this Circular.

If the Arrangement Agreement is terminated, Tethyan may be required to pay to Adriatic a termination fee of \$700,000 and cover expenses of up to \$150,000, or Adriatic may be required to pay to Tethyan a termination fee of \$350,000 and cover expenses of up to \$75,000. See “*The Arrangement Agreement – Expenses and Termination Fees*” in this Circular.

Stock Exchange Approvals

The Arrangement remains subject to the final approval by the TSXV. Tethyan received conditional acceptance to the Arrangement from the TSXV on July 7, 2020.

Adriatic will make an application for the Consideration Shares to be admitted to the Standard Segment of the Official List of the FCA and it is a condition of the Arrangement that all requirements of the FCA pursuant to the LSE Listing Rules (made by the FCA pursuant to Section 74 of the *Financial Services and Markets Act 2000* (as amended)) shall have been satisfied.

Application will also be made for the Consideration Shares to be admitted to trading on the LSE’s main market for listed securities in accordance with the Admission and Disclosure Standards of the LSE and it is a condition of the Arrangement that all requirements of the LSE for such admission of the Consideration Shares to trading on the LSE’s main market for listed securities shall have been satisfied.

See also “*Securities Laws and Stock Exchange Matters – Stock Exchange Approvals*” in this Circular.

Procedure for Exchange of Tethyan Shares

Procedure for Registered Tethyan Shareholders

A Letter of Transmittal is being mailed, together with this Circular, to each person who was a Registered Tethyan Shareholder on the Record Date. Each person who is a Registered Tethyan Shareholder immediately prior to the Effective Time must forward the properly completed and signed Letter of Transmittal, along with the accompanying Tethyan Share certificate(s), if applicable, to the Depositary in order to receive the Consideration Shares to which such Tethyan Shareholder is entitled under the Arrangement. It is recommended that Registered Tethyan Shareholders complete, sign and return the Letter of Transmittal, along with the accompanying Tethyan Share certificate(s), if applicable, to the Depositary as soon as possible.

If the Former Tethyan Shareholder wishes to hold their Adriatic Shares in uncertificated form (i.e. via CREST), then following the Effective Date, they will need to make arrangements with a CREST participant to deposit their Adriatic Shares into CREST in accordance with the procedures set forth in the CREST manual. As the procedures for depositing Adriatic Shares into CREST may vary between individual CREST participants, Tethyan Shareholders are encouraged to seek advice from their broker, investment dealer or other intermediaries with respect to the process to be followed for depositing the Adriatic Shares into CREST. The Depositary will not be involved in facilitating this process.

See “*Procedure for Exchange of Tethyan Shares – Registered Tethyan Shareholders*” in this Circular.

Procedure for Non-Registered Tethyan Shareholders

Tethyan Shareholders whose Tethyan Shares are registered in the name of a broker, investment dealer or other intermediary should contact that broker, investment dealer or other intermediary for instructions and assistance in depositing their Tethyan Shares with the Depositary. Non-Registered Tethyan Shareholders do not need to return a Letter of Transmittal.

Where Tethyan Shares are currently registered in the name of a nominee such as CDS or DTC, brokers, investment dealers and other intermediaries are advised that in order to have the Adriatic Shares that the Non-Registered Tethyan Shareholder is entitled to receive pursuant to the Arrangement deposited into CREST, such intermediary must make arrangements with a CREST participant to deposit such Adriatic Shares into CREST in accordance with the procedures set forth in the CREST manual. As the procedures for depositing Adriatic Shares into CREST may vary between individual CREST participants, brokers, investment dealers and other intermediaries are encouraged to seek advice from their CREST participant with respect to the process to be followed for depositing such Adriatic Shares into CREST. The Depositary will not be involved in facilitating this process. Failure to provide accurate information to the Depositary or providing incomplete or inaccurate information will result in delays in the receipt of Adriatic Shares by such Non-Registered Tethyan Shareholders.

NON-REGISTERED TETHYAN SHAREHOLDERS SHOULD CONTACT THEIR BROKER, INVESTMENT DEALER OR OTHER INTERMEDIARY TO CONFIRM THAT THEIR BROKER, INVESTMENT DEALER OR OTHER INTERMEDIARY HAS MADE ARRANGEMENTS TO RECEIVE THE NUMBER OF ADRIATIC SHARES REQUIRED TO SATISFY THE CONSIDERATION SHARES PAYABLE TO SUCH NON-REGISTERED TETHYAN SHAREHOLDER PURSUANT TO THE PLAN OF ARRANGEMENT INCLUDING, AS APPLICABLE, TO DEPOSIT ADRIATIC SHARES INTO CREST VIA THE CCSS SERVICE. THE DEPOSITARY WILL NOT BE INVOLVED IN FACILITATING THIS PROCESS.

See “*Procedure for Exchange of Tethyan Shares – Non-Registered Tethyan Shareholders*” in this Circular.

Cancellation of Rights after Six Years

To the extent that a Former Tethyan Shareholder has not complied with the provisions of the Arrangement described under the heading “*Procedure for Exchange of Tethyan Shares*” in this Circular on or before the date that is six years after the Effective Date, then any Consideration Shares which such Former Tethyan Shareholder was entitled to

receive shall be automatically cancelled without any repayment of capital in respect thereof and the certificates representing such Consideration Shares shall be delivered to Adriatic by the Depositary for cancellation and shall be cancelled by Adriatic, and the interest of the Former Tethyan Shareholder in such Consideration Shares to which it was entitled shall be terminated.

See “*Procedure for Exchange of Tethyan Shares – Cancellation of Rights after Six Years*” in this Circular.

Fractional Interest

In no event shall any holder of Tethyan Shares be entitled to a fractional Consideration Share. Where the aggregate number of Consideration Shares to be issued to a Former Tethyan Shareholder as consideration under this Arrangement would result in a fraction of a Consideration Share being issuable, the number of Consideration Shares to be received by such Tethyan Shareholder shall be rounded down to the nearest whole Adriatic Share.

See “*Procedure for Exchange of Tethyan Shares – Fractional Interest*” in this Circular.

Income Tax Considerations

Please refer to the summary of Canadian federal income tax considerations contained in this Circular set forth under “*Certain Canadian Federal Income Tax Considerations*”. **All holders of Tethyan Shares should consult their own tax advisers for advice with respect to their own particular circumstances.**

This Circular does not contain any discussion as to the application of Canadian federal income tax laws to the exchange of Tethyan Options for Replacement Options, or Tethyan Warrants for Replacement Warrants, as contemplated by the Arrangement. Accordingly, holders of Tethyan Options or Tethyan Warrants should consult their own tax advisers for advice with respect to the tax implications of the Arrangement.

This Circular does not contain any discussion as to the application of the United States or United Kingdom income tax laws, or the income tax laws of any other jurisdiction, to the exchange of Tethyan Shares for Adriatic Shares, Tethyan Options for Replacement Options, or Tethyan Warrants for Replacement Warrants, as contemplated by the Arrangement. Accordingly, holders of Tethyan Shares, Tethyan Options or Tethyan Warrants resident outside of Canada should consult their own tax advisers for advice with respect to the tax implications of the Arrangement, including any associated filing requirements, in their jurisdiction to an exchange of their securities.

Securities Laws

Tethyan is a reporting issuer in British Columbia and Alberta. The Tethyan Shares currently trade on the TSXV. After the Arrangement, Tethyan will be a wholly-owned subsidiary of Adriatic, the Tethyan Shares will be delisted from the TSXV and Adriatic expects to apply to the applicable Canadian securities regulators to have Tethyan cease to be a reporting issuer. As a result of the Arrangement, Adriatic will become a reporting issuer in British Columbia and Alberta, but is expected to be a “designated foreign issuer” under Canadian Securities Laws. In addition, while the Adriatic Shares will be listed on the LSE, they will not be listed on any stock exchange in Canada. See “*Securities Laws and Stock Exchange Matters – Canadian Securities Laws*” in this Circular.

A general overview of certain requirements of U.S. Securities Laws and U.K. Securities Laws that may be applicable to Tethyan Shareholders are set out in “*Securities Laws and Stock Exchange Matters – U.S. Securities Laws*” and “*Securities Laws and Stock Exchange Matters – U.K. Securities Laws*” in this Circular. Further information applicable to the holders of Tethyan Shares resident in the U.S. is disclosed under the heading “*Note to U.S. Securityholders*” in this Circular.

Each Tethyan Shareholder is urged to consult their legal and professional advisors to determine the conditions and restrictions applicable to trades in the Consideration Shares issuable pursuant to the Arrangement.

Risk Factors

In evaluating the Arrangement and the other matters which Tethyan Shareholders are being asked to consider, Tethyan Shareholders should carefully consider the risk factors (which are not an exhaustive list of potentially relevant risk factors) set out under the heading “*Risk Factors*” in this Circular, as well as the other risk factors included elsewhere in this Circular.

Additional risks and uncertainties, including those currently unknown to or considered to be not material by Adriatic and Tethyan, may also adversely affect the business of the Combined Company or any one or more of Adriatic, Tethyan and the Combined Company.

Interests of Certain Persons in the Arrangement

In considering the recommendation of the Tethyan Board, Tethyan Shareholders should be aware that members of the Tethyan Board and the executive officers of Tethyan may have interests in the Arrangement or may receive benefits that may differ from, or be in addition to, the interests of Tethyan Shareholders generally. See “*Interests of Directors and Officers of Tethyan in the Arrangement*” in this Circular.

GENERAL PROXY INFORMATION

This Circular is furnished in connection with the solicitation of proxies by management of Tethyan for use at the annual general and special meeting of Tethyan Shareholders to be held on August 17, 2020 and any adjournment thereof, for the purposes set forth in the attached. Except where otherwise indicated, the information contained herein is stated as of July 13, 2020.

In this Circular, references to “we” refers to Tethyan. “**Registered Tethyan Shareholders**” means Tethyan Shareholders whose names appear on the records of Tethyan as the registered holders of Tethyan Shares. “**Non-Registered Tethyan Shareholders**” means Tethyan Shareholders who do not hold Tethyan Shares in their own name. “**Intermediaries**” refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Non-Registered Shareholders.

Solicitation of Proxies

The solicitation of proxies will be primarily by mail, but proxies may be solicited personally or by telephone by directors, officers and regular employees of Tethyan. Tethyan will bear all costs of this solicitation.

We have arranged to send meeting materials directly to Registered Tethyan Shareholders, as well as Non-Registered Tethyan Shareholders who have consented to their ownership information being disclosed by the Intermediary holding the Tethyan Shares on their behalf (non-objecting beneficial owners). If you are a Non-Registered Tethyan Shareholder, and Tethyan or its agent has sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding on your behalf. By choosing to send these materials to you directly, Tethyan (and not the Intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions. See “*Voting by Non-Registered Tethyan Shareholders*” below.

We have arranged for Intermediaries to forward the meeting materials to Non-Registered Tethyan Shareholders who have objected to their ownership information being disclosed by the Intermediary holding the Tethyan Shares on their behalf (objecting beneficial owners) under National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*. See “*Voting by Non-Registered Tethyan Shareholders*” below.

Appointment and Revocation of Proxies for Registered Tethyan Shareholders

The individuals named in the Tethyan Proxy are officers or directors of Tethyan. **If you are a Registered Tethyan Shareholder, you have the right to attend the Tethyan Meeting by telephone conference or vote by proxy and to appoint a person or company other than the person designated in the Tethyan Proxy, who need not be a Tethyan Shareholder, to attend by telephone conference and act for you and on your behalf at the Tethyan Meeting.** You may do so either by inserting the name of that other person in the blank space provided in the Tethyan Proxy or by completing and delivering another suitable form of proxy. If you are a Registered Tethyan Shareholder you may wish to vote by proxy whether or not you are able to attend the virtual Tethyan Meeting.

Registered Tethyan Shareholders electing to submit a Tethyan Proxy may do so by:

- (i) Completing, dating and signing the enclosed Tethyan Proxy and returning it to Computershare, by fax within North America at 1-866-249-7775, or by mail or hand delivery at 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, Canada; or
- (ii) Using a touch-tone phone to transmit voting choices to the toll-free number given in the Proxy. Registered Shareholders who choose this option must follow the instructions of the voice response system and refer to the enclosed Tethyan Proxy for the toll-free number, the holder’s account number and the Proxy Control Number.

You should ensure that the Tethyan Proxy is received at least 48 hours before the Tethyan Meeting or the adjournment thereof at which the Tethyan Proxy is to be used.

Every Proxy may be revoked by an instrument in writing:

- (i) executed by the Tethyan Shareholder or by his/her/their attorney authorized in writing or, where the Tethyan Shareholder is a company, by a duly authorized officer or attorney of the company; and
- (ii) delivered to the registered office of Tethyan at any time up to and including the last business day preceding the day of the Tethyan Meeting or any adjournment thereof, at which the Tethyan Proxy is to be used,

or in any other manner provided by law.

Only Registered Tethyan Shareholders have the right to revoke their Tethyan Proxy. Non-Registered Tethyan Shareholders who wish to change their vote must, at least seven days before the Tethyan Meeting, arrange for their respective Intermediaries to revoke the Tethyan Proxy on their behalf. If you are a Non-Registered Tethyan Shareholder, see “Voting by Non-Registered Shareholders” below for further information on how to vote your Tethyan Shares.

Exercise of Discretion by Proxyholder

If you vote by proxy, the persons named in the Tethyan Proxy will vote or withhold from voting the Tethyan Shares represented thereby in accordance with your instructions on any ballot that may be called for. If you specify a choice with respect to any matter to be acted upon, your Tethyan Shares will be voted accordingly. The Tethyan Proxy confers discretionary authority on the persons named therein with respect to:

- (i) each matter or group of matters identified therein for which a choice is not specified;
- (ii) any amendment to or variation of any matter identified therein;
- (iii) any other matter that properly comes before the Tethyan Meeting; and
- (iv) exercise of discretion of the proxyholder.

In respect of a matter for which a choice is not specified in the Tethyan Proxy, the persons named in the Tethyan Proxy will vote the Tethyan Shares represented by the Tethyan Proxy FOR the approval of such matter. Management of Tethyan is not currently aware of any other matters that could come before the Tethyan Meeting.

Voting by Non-Registered Tethyan Shareholders

The following information is of significant importance to Tethyan Shareholders who do not hold Tethyan Shares in their own name. Non-Registered Tethyan Shareholders should note that the only Tethyan Proxies that can be recognized and acted upon at the Tethyan Meeting are those deposited by Registered Tethyan Shareholders.

If Tethyan Shares are listed in an account statement provided to a Tethyan Shareholder by an Intermediary, then in almost all cases those Tethyan Shares will not be registered in the Tethyan Shareholder's name on the records of Tethyan. Such Tethyan Shares will more likely be registered under the name of the Tethyan Shareholder's Intermediary or an agent of that Intermediary. In the United States, the vast majority of such Tethyan Shares are registered under the name of Cede & Co. as nominee for The Depository Trust Company (which acts as depository for many U.S. brokerage firms and custodian banks), and in Canada, under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). Every Intermediary has its own mailing procedures and provides its own return instructions to clients. However, most Intermediaries now delegate responsibility for obtaining voting instructions from clients to Broadridge in the United States and in Canada.

If you are a Non-Registered Tethyan Shareholder, you should carefully follow the instructions on the voting instruction form received from Computershare or Broadridge in order to ensure that your Tethyan Shares are voted at the Tethyan Meeting. The voting instruction form (“VIF”) supplied to you will be similar to the Tethyan Proxy provided to the

Registered Tethyan Shareholders by Tethyan. However, its purpose is limited to instructing the Intermediary on how to vote on your behalf.

The VIF sent by Computershare or Broadridge will name the same persons as the Tethyan Proxy to represent you at the Tethyan Meeting. Although as a Non-Registered Tethyan Shareholder you may not be recognized directly at the Tethyan Meeting for the purposes of voting Tethyan Shares registered in the name of your Intermediary, you, or a person designated by you (who need not be a Tethyan Shareholder), may attend the Tethyan Meeting as proxyholder for your Intermediary and vote your Tethyan Shares in that capacity. To exercise this right to attend the meeting by telephone conference or appoint a proxyholder of your own choosing, you should insert your own name or the name of the desired representative in the blank space provided in the VIF. Alternatively, you may provide other written instructions requesting that you or your desired representative attend the Tethyan Meeting as proxyholder for your Intermediary. The completed VIF or other written instructions must then be returned in accordance with the instructions on the form.

If you receive a VIF, you cannot use it to vote Tethyan Shares directly at the Tethyan Meeting. The VIF must be completed as described above and returned in accordance with its instructions well in advance of the Tethyan Meeting in order to have the Tethyan Shares voted.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

See “*Interests of Directors and Officers of Tethyan in the Arrangement*” in this Circular for information regarding potential interests in, or benefits from, the Arrangement that members of the Tethyan Board and the executive officers of Tethyan may have or receive that may differ from, or be in addition to, the interests of Tethyan Shareholders generally.

To the knowledge of Tethyan, other than as disclosed in this Circular, no person has or had any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matters to be acted upon at the Tethyan Meeting. For the purpose of this paragraph, “**person**” shall include each person: (a) who has been a director, senior officer or insider of Tethyan at any time since the commencement of the Tethyan’s fiscal year; (b) each proposed nominee for election as a director of Tethyan; or (c) who is an associate or affiliate of a person defined in (a) or (b).

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Tethyan Board has fixed close of business on July 3, 2020 as the Record Date. Tethyan Shareholders of record as at the Record Date are entitled to receive notice of the Tethyan Meeting and to vote their Tethyan Shares at the Tethyan Meeting, except to the extent that any such Tethyan Shareholder transfers any Tethyan Shares after the Record Date and the transferee of those Tethyan Shares establishes that the transferee owns the Tethyan Shares and demands, not less than ten (10) days before the Tethyan Meeting, that the transferee’s name be included in the list of Tethyan Shareholders entitled to vote at the Tethyan Meeting, in which case, only such transferee shall be entitled to vote such Tethyan Shares at the Meeting.

Only Registered Tethyan Shareholders whose names have been entered in the register of holders of Tethyan Shares as at the close of business (5:00 p.m. (*Pacific Daylight Time*)) on the Record Date will be entitled to receive notice of and vote at the Tethyan Meeting. No other Tethyan Shareholders are entitled to vote at the Tethyan Meeting. Under Tethyan’s articles, the quorum for the transaction of business at a meeting of Tethyan Shareholders is one person who is a Tethyan Shareholder, or who is otherwise permitted to vote Tethyan Shares at a meeting of Tethyan Shareholders, present in person or by proxy.

As at the Record Date, there were 79,866,867 Tethyan Shares issued and outstanding. Each Tethyan Shareholder will be entitled to one vote for each Tethyan Share.

As at the Record Date, to the knowledge of the directors and officers of Tethyan, no person beneficially owns, directly or indirectly, or exercises control over, more than 10% of the Tethyan Shares, other than as set out below.

Name of Tethyan Shareholder	Number of Tethyan Shares ⁽¹⁾	Percentage of Tethyan Shares ⁽¹⁾
Augusta Investments Inc.	12,750,000	15.96%
Radomir Vukcevic	11,430,000	14.31%
Southern Arc Minerals Inc.	10,028,119	12.56%

Note:

- (1) The above information was derived from the shareholder list maintained by Tethyan's registrar and transfer agent, or from insider and beneficial ownership reports available at www.sedi.com and www.sedar.com.

Tethyan Warrantholders and Tethyan Optionholders will not be entitled to vote on the Arrangement Resolution or any other matters to be considered at the Tethyan Meeting. If the Arrangement is completed, each Tethyan Option and Tethyan Warrant will be exchanged for options and warrants issued by Adriatic in accordance with their terms. The number of Adriatic Shares issuable on exercise of such Replacement Options and Replacement Warrants, and the exercise price, will be adjusted based on the Exchange Ratio. In addition, the exercise price shall be converted to Sterling based on the exchange rate on the Effective Date of the Arrangement. As a result thereof, Tethyan Warrantholders and Tethyan Optionholders will receive the same consideration, upon exercise of their Replacement Warrants or Replacement Options, that Tethyan Shareholders will receive pursuant to the Arrangement.

INFORMATION CONCERNING THE ARRANGEMENT

Information Contained in this Circular

The information contained in this Circular is given as at July 13, 2020, except where otherwise noted and except that information in documents incorporated by reference is given as of the dates noted therein. No person has been authorized to give any information or to make any representation in connection with the Arrangement and other matters described herein other than those contained in this Circular and, if given or made, any such information or representation should be considered not to have been authorized by Tethyan.

This Circular does not constitute the solicitation of an offer to purchase, or the making of an offer to sell, any securities or the solicitation of a proxy by any person in any jurisdiction in which such solicitation or offer is not authorized or in which the person making such solicitation or offer is not qualified to do so or to any person to whom it is unlawful to make such solicitation or offer.

Information contained in this Circular should not be construed as legal, tax or financial advice and Tethyan Shareholders are urged to consult their own professional advisors in connection therewith.

Descriptions in this Circular of the terms of the Arrangement Agreement, the Plan of Arrangement and the Voting Support Agreements are summaries of the terms of those documents and are qualified in their entirety by such terms. Tethyan Shareholders should refer to the full text of each of the Arrangement Agreement and the Plan of Arrangement for complete details of those documents. A copy of the Arrangement Agreement, which is incorporated by reference in this Circular, may be viewed under Tethyan's profile on SEDAR at www.sedar.com. The Plan of Arrangement is attached hereto as Schedule "B".

Information Contained in this Circular Regarding Adriatic

Certain information in this Circular pertaining to Adriatic, including, but not limited to, information pertaining to Adriatic in Schedule "F" in this Circular and under the heading "*Information Concerning Adriatic*", and the historical management's discussion and analysis and the historical financial statements and other documents of Adriatic included or incorporated by reference in this Circular, has been furnished by Adriatic. With respect to this information, the Tethyan Board has relied exclusively upon Adriatic, without independent verification by Tethyan. Although Tethyan does not have any knowledge that would indicate that such information is untrue or incomplete, neither Tethyan nor any of their directors or officers assumes any responsibility for the accuracy or completeness of such information or for the failure by Adriatic to disclose events or information that may affect the completeness or accuracy of such information. For further information regarding Adriatic, please refer to Adriatic's forms, reports, schedules, statements and other documents filed by Adriatic under the Listing Rules, MAR or DTR. See Schedule "F" of this Circular.

THE ARRANGEMENT

Background to the Arrangement

The following is a summary of the principal meetings, discussions and activities that preceded the execution of the Arrangement Agreement, and the subsequent public announcement of the Arrangement.

Since September 2016, Tethyan has been focused on consolidating exploration licences over a district of historical mines and exploration prospects situated in the Raska district of Southwestern Serbia, which are adjacent to the past-producing Kizevak and Sastavci silver-zinc-lead mines. Following the grant of the exploration licences that comprise the Kizevak Project and Sastavci Project to EFPP in October 2019, Tethyan began evaluating and negotiating the acquisition of EFPP. See Schedule "I" of this Circular for a description of the Kizevak Project and Sastavci Project.

In September 2019, Tethyan and Adriatic entered into the Tethyan Confidentiality Agreements, under which Tethyan and Adriatic began due diligence on each other with a view to a potential transaction. Tethyan's due diligence included a site visit, independent valuation, close legal review of title to Adriatic's mineral properties and licenses, and a corporate review in both the UK and Serbia.

Between January and May of 2020, Tethyan entered into the various agreements in connection with the EFPP Acquisition Agreement, pursuant to which Tethyan agreed to acquire EFPP. Under the EFPP Acquisition Agreement, Tethyan agreed to acquire EFPP in two steps, an initial 'first closing' whereby Tethyan acquired 10% of the shares of EFPP and management control of EFPP, and a 12 month period in which to decide, in its sole discretion, whether to proceed to a 'second closing' pursuant to which Tethyan has the right to acquire the remaining 90% of the shares of EFPP. The terms of the EFPP Acquisition Agreement are as follows:

- *First Closing:* In consideration for 10% of the shares of EFPP, Tethyan paid to the sellers a total of €625,000 cash to complete the first closing.
- *Second Closing:* At any time within 12 months of the first closing, Tethyan may elect to acquire the remaining 90% of shares of EFPP by:
 - paying €1,375,000;
 - granting to the sellers a 2% net smelter return over the Kizevak Project and Sastavci Project;
 - issuing a total of 4,000,000 Tethyan Shares, to be issued in four equal tranches of 1,000,000 Tethyan Shares, with the first tranche issued on the second closing and each additional tranche issued every six months thereafter; and
 - paying a deferred cash payment of €500,000 on the two-year anniversary of the first closing.
- Should the second closing not be completed, the 10% ownership interest in EFPP will be forfeited.

Through the spring of 2020, management of Tethyan was focused on raising the funds required to complete the first closing under the EFPP Acquisition Agreement. Commencing in March 2020, representatives of Tethyan and Adriatic met for formal discussions regarding the Arrangement, or a similar transaction between Tethyan and Adriatic, which transaction would include financing to allow Tethyan to complete the first closing under the EFPP Acquisition Agreement and commence drilling on the Kizevak Project and Sastavci Project. Through April and May, 2020, Tethyan and Adriatic and their respective financial and legal advisors negotiated the terms of the Letter Agreement and the Loan Agreement.

During this time, management of Tethyan also contemplated various alternative transactions to the Arrangement, including private placements and other forms of financing, however none were achievable in the timeframe required due to lengthy due diligence processes, and the outcome of such possible alternatives was uncertain. Other more advanced discussions did not result in an offer of financing.

On May 7, 2020, the Tethyan Board met to consider the terms of the Letter Agreement and the Loan Agreement. After careful consideration and taking into account the arm's length negotiations between Tethyan and Adriatic, due diligence performed by Tethyan on Adriatic, the best interests of Tethyan and its securityholders, and consultation with its financial and legal advisors, the Tethyan Board unanimously resolved to approve the Letter Agreement, Loan Agreement and the transactions contemplated thereunder. See "*Recommendation of the Tethyan Board*" and "*Reasons for the Tethyan Board Recommendation*" below.

On May 10, 2020, Tethyan and Adriatic executed the Letter Agreement and Loan Agreement. Pursuant to the Loan Agreement, Adriatic agreed to advance to Tethyan up to €1,300,000 in three tranches, with the first €1,000,000 million of the Loan advanced on signing. The terms of the Loan Agreement include, among other things:

- *Use of proceeds:* The Loan may be used to fund the first closing under the EFPP Acquisition Agreement, commence confirmation drilling on the Kizevak Project, and fund reasonable expenses of Tethyan through to completion of the Arrangement.
- *Interest:* Interest accrues and is payable from the earlier of the date the Arrangement is terminated and the date any amounts become due under the Loan Agreement, at a rate of 10% per annum, compounded monthly, increasing to 15% on an event of default.
- *Repayment:* The Loan must be repaid on the earlier of:
 - (a) May 10, 2021;
 - (b) termination of the Arrangement Agreement in a manner that gives rise to the Adriatic Termination Fee;
 - (c) 45 days after termination of the Arrangement Agreement by mutual agreement; and
 - (d) 30 days after the date of the Tethyan Meeting, if the Tethyan Shareholders fail to approve the Arrangement Resolution.
- *Conversion:* Following termination of the Arrangement Agreement, Adriatic may elect to convert the outstanding amount of the Loan into Tethyan Shares at a conversion price of \$0.15 per Tethyan Share, provided that any conversion of interest will be at the Market Price (as defined in the policies of the TSXV) at the time of conversion.
- *Security:* The Loan is secured by a general security agreement over all assets of Tethyan, an equitable mortgage of shares over the issued shares of Tethyan Resources Limited (Tethyan's wholly-owned U.K. subsidiary), a debenture creating a floating security over all assets of Tethyan Resources Limited, a pledge of shares over the issued capital of Taor d.o.o. (Tethyan's wholly-owned Serbian subsidiary).
- *Default:* The Loan Agreement contains the usual and customary events of default for an agreement of the nature of the Loan Agreement, plus termination of the Arrangement Agreement in a manner that gives rise to payment of the Adriatic Termination Fee and occurrence of any Material Adverse Effect. On an event of default, Adriatic may declare the Loan immediately due and payable.

On May 14, 2020, Tethyan completed the first closing under the EFPP Acquisition Agreement.

Through May and early June, 2020, Tethyan and Adriatic, together with their legal and financial advisors, drafted and negotiated the Arrangement Agreement. On June 9, 2020, the Tethyan Board reviewed the terms of the Arrangement Agreement (which includes the Plan of Arrangement). After careful consideration and taking into account the best interests of Tethyan and consultation with its financial and legal advisors, the Tethyan Board resolved to approve the Arrangement Agreement and the Plan of Arrangement and the transactions contemplated thereunder. The Arrangement Agreement was executed on June 12, 2020.

Recommendation of the Tethyan Board

After careful consideration, and based upon a thorough review of the Letter Agreement, Loan Agreement, and Arrangement Agreement, as well as a thorough review of other matters, including those discussed below, the Tethyan Board determined that the Arrangement is in the best interests of Tethyan and the Tethyan Shareholders. **Accordingly, the Tethyan Board unanimously approved the entering into of the Letter Agreement, Loan Agreement and Arrangement Agreement, and recommends that Tethyan Shareholders vote FOR the Arrangement Resolution.**

Reasons for the Tethyan Board Recommendation

In the course of the evaluation of the Arrangement by the Tethyan Board, the Tethyan Board consulted with its senior management, and its legal counsel and performed financial, technical and legal due diligence with the help of their advisors and experts and considered a number of factors, including, among others, the following:

- ***Immediate and Significant Premium to Tethyan Shareholders:*** The Exchange Ratio represents an implied price of \$0.184 per Tethyan Share based on the 20-day VWAP of Adriatic calculated as at May 8, 2020, being the last trading day prior to announcement of the Arrangement, which is a premium of:
 - 29% to the closing price of \$0.15 per Tethyan Share as at May 8, 2020;
 - 41% to the 5-day VWAP of \$0.138 per Tethyan Share as at May 8, 2020; and
 - 47% to the 20-day VWAP of \$0.131 per Tethyan Share calculated as at May 8, 2020.
- ***Facilitating the Acquisition of EFPP:*** The Loan enabled Tethyan to complete the first closing of the acquisition of EFPP. The benefits of acquiring the Kizevak Project and Sastavci Project include the following:
 - contiguous with Tethyan's existing exploration rights and the acquisition would complete the consolidation of a district of known silver-zinc-lead vein-type and copper-gold porphyry deposits, presenting numerous strategic advantages;
 - includes two past-producing open pit silver-zinc-lead mines and indicate excellent brownfield exploration potential (See Schedule "I" of this Circular); and
 - Serbia is establishing itself as a recognised mining jurisdiction, attracting significant investment interest.
- ***Financing in Current Markets:*** The Loan enabled Tethyan to complete the first closing of the acquisition of EFPP, to commence confirmation drilling at the Kizevak Project, and to meet the expenses and costs of Tethyan through to completing the Arrangement. As at March 31, 2020, Adriatic had cash of £11.8 million. On completion of the Arrangement, the Combined Company will be well-capitalized and positioned to advance its key projects. Mining companies face challenges in raising project financing in current markets, and other financings were not available to Tethyan in the timeframe required or would have been highly dilutive.
- ***Creation of a Prominent Balkan Polymetallic Exploration and Development Company:*** Adriatic holds a 100% interest in the Vareš Project in Bosnia and Herzegovina, which includes the historic open pit mine at Veovača and brownfield exploration at Rupice. The addition of Tethyan's brownfield projects, the Kizevak Project and Sastavci Project, and its large prospective landholding on the Tethyan mineral belt positions the Combined Company as a leading Balkan base and precious metals developer with a total land package in excess of 301km² across Bosnia and Serbia. See Schedule "F" of this Circular for details of Adriatic's properties and business.

- **Participation in Significant Projects and Immediate Funding:** Tethyan Shareholders will have the ability to participate in the Combined Company and its Vareš Project, while retaining an interest in the Kizevak Project and Sastavci Project at an increased pace of development, as Adriatic brings funding to progress the projects and an experienced project development team.
- **Highly Prospective Land Package:** With its key projects, the Combined Company will have a long-term project development pipeline, and an attractive portfolio of regional exploration targets.
- **Potential Synergies in Operations:** There is the potential for synergies between Adriatic's operations in Bosnia and Tethyan's operations in Serbia that may lead to stronger exploration, development and permitting ability. There is also the potential for operational and logistics synergies, staff training, and once in production, downstream processes such as blending of concentrates.
- **Management Team:** The senior executive team of the Combined Company will draw from the extensive experience and expertise of both Adriatic and Tethyan. Adriatic has an experienced project development team, while Tethyan has a well-established team in Serbia to assist with permitting and project development and strong links with the local communities in which it operates.
- **Key Shareholder Support:** The directors and certain significant Tethyan Shareholders representing 54.3% of the issued and outstanding Tethyan Shares, have entered into the Voting Support Agreements, committing to vote their Tethyan Shares in favour of the Arrangement. Additionally, Tethyan Shareholders holding 38.3% of the issued and outstanding Tethyan Shares have agreed not to, directly or indirectly sell, transfer or otherwise dispose of any Adriatic Shares or Tethyan Shares until the earlier of: (a) six months after the Effective Time; and (b) any date after the Effective Time where the volume weighted average price of the Adriatic Shares on the ASX for the preceding 30 calendar day period is A\$2.00 or more.
- **Shareholders can Support a Higher Offer:** The Arrangement Agreement does not preclude an unsolicited third party from proposing or making a Superior Proposal and does not preclude the Tethyan Board from considering and acting on a Superior Proposal, prior to the Meeting, provided the Tethyan Board complies with the terms of the Arrangement Agreement. See "*The Arrangement Agreement – Non-Solicitation/Right to Match*" in this Circular.
- **No Financing Condition:** The Arrangement is not subject to any financing condition.
- **Dissent Rights:** Registered Tethyan Shareholders who oppose the Arrangement may, upon compliance with certain conditions, exercise Dissent Rights and receive fair value for their Tethyan Shares.
- **Court and Shareholder Approval:** The material conditions required for completion of the Arrangement, including Tethyan Shareholder and Court approvals were considered by the Tethyan Board to be reasonable in the circumstances.
- **Arm's Length Negotiations:** The Arrangement Agreement was the result of arm's length negotiations between Adriatic and Tethyan.

The reasons for recommending the Arrangement include certain assumptions relating to forward-looking information, and such information and assumptions are subject to various risks. See "*Cautionary Statement Regarding Forward-Looking Statements*" and "*Risk Factors – Risk Factors Relating to the Arrangement*" in this Circular.

The foregoing summary of the information and factors considered by the Tethyan Board is not intended to be exhaustive. In view of the variety of factors and the amount of information considered in connection with its evaluation of the Arrangement, the Tethyan Board did not find it practical to, and did not, quantify or otherwise attempt to assign any relative weighting to each specific factor considered in reaching their respective conclusions and recommendations.

The Tethyan Board's recommendation was made after considering all of the above-noted factors, in light of the Tethyan Board's knowledge of the business, financial condition and prospects of Tethyan, and the advice of financial advisors and legal advisors to the Tethyan Board.

Effects of the Arrangement

The purpose of the Arrangement is to effect the business combination of Tethyan and Adriatic. The Arrangement is to be carried out pursuant to the Arrangement Agreement and the Plan of Arrangement. Upon completion of the Arrangement, Adriatic will acquire all of the issued and outstanding Tethyan Shares.

Corporate Structure

In the event that the Arrangement is completed, Tethyan will become a wholly-owned subsidiary of Adriatic. See Schedule "G" of this Circular.

Combined Company Board and Management

Following the completion of the Arrangement, it is expected that the board of the Combined Company will be the current Adriatic Board, which is comprised of the following directors: (i) Peter Bilbe (ii) Paul Cronin; (iii) Michael Rawlinson; (iv) Julian Barnes; and (v) Sandra Bates.

Following the completion of the Arrangement, Fabian Baker, a director and the President and Chief Executive Officer of Tethyan, will join the Combined Company as Corporate Development Manager, and it is expected that the current Adriatic management will continue as management of the Combined Company. The current Adriatic management is comprised of the following: (i) Paul Cronin, Chief Executive Officer and Managing Director; (ii) Graham Hill, Chief Operating Officer; (iii) Geoff Eyre, Chief Financial Officer and Joint Company Secretary; (iv) Phil Fox, Chief Geologist; (v) Gabriel Chiappini, Joint Company Secretary; and (vi) Adnan Teletovic, Project and Study Manager.

See "*Directors and Executive Officers*" in Schedule "G" of this Circular.

Tethyan Shareholders

Pursuant to the Arrangement, each Tethyan Shareholder (other than any Dissenting Shareholder) immediately prior to the Effective Time will receive 0.166 of one Adriatic Share in exchange for each Tethyan Share held. If a holder is entitled to a fraction of an Adriatic Share, such number will be rounded down to the nearest whole number. See "*The Arrangement – Description of the Plan of Arrangement*" in this Circular. See also "*Procedure for Exchange of Tethyan Shares*" in this Circular.

Tethyan Optionholders

At the Effective Time, each outstanding Tethyan Option will be exchanged for Replacement Options issued pursuant to the Option Plan 2019. Each Replacement Option will entitle the holder to purchase from Adriatic the number of Adriatic Shares (rounded down to the nearest whole number) equal to the Exchange Ratio, multiplied by the number of Tethyan Shares subject to such Tethyan Option immediately prior to the Effective Time, at an exercise price per Adriatic Share (rounded up to the nearest whole penny) equal to (i) the exercise price per Tethyan Share otherwise purchasable pursuant to such Tethyan Option immediately prior to the Effective Time, divided by (ii) the Exchange Ratio. The exercise prices of the Replacement Options will be expressed, and payable, in Sterling, with such exercise prices converted from Canadian dollars to Sterling based upon the "Daily Spot Exchange Rate" for the Canadian dollar against Sterling published by the Bank of England on the Effective Date.

Other than as set out above, the term to expiry and, subject to compliance with listing conditions of the LSE and the ASX, the conditions to and manner of exercising, vesting schedule and all other terms and conditions of such Replacement Options will be the same as the Tethyan Option for which it was exchanged. However, the terms of the Option Plan 2019 shall apply, govern and supersede the terms of any Tethyan Options in exchange for which the

Replacement Options are issued. See “*The Arrangement – Description of the Plan of Arrangement*” and “*Procedure for Exchange of Tethyan Shares – Replacement Options and Replacement Warrants*” in this Circular.

Tethyan Warrantholders

At the Effective Time, each outstanding Tethyan Warrant will be exchanged for Replacement Warrants. Each Replacement Warrant will entitle the holder to purchase from Adriatic the number of Adriatic Shares (rounded down to the nearest whole number) equal to the Exchange Ratio, multiplied by the number of Tethyan Shares subject to such Tethyan Warrant immediately prior to the Effective Time, at an exercise price per Adriatic Share (rounded up to the nearest whole penny) equal to (i) the exercise price per Tethyan Share otherwise purchasable pursuant to such Tethyan Warrant immediately prior to the Effective Time, divided by (ii) the Exchange Ratio. The exercise prices of the Replacement Warrants will be expressed, and payable, in Sterling, with such exercise prices converted, where necessary, from Canadian dollars to Sterling based upon the “Daily Spot Exchange Rate” for the Canadian dollar against Sterling published by the Bank of England on the Effective Date.

Other than as set out above, the term to expiry and, subject to compliance with listing conditions of the LSE and the ASX, the conditions to and manner of exercising and all other terms and conditions of such Replacement Warrants will be the same as the Tethyan Warrants for which it was exchanged. See “*The Arrangement – Description of the Plan of Arrangement*” and “*Procedure for Exchange of Tethyan Shares – Replacement Options and Replacement Warrants*” in this Circular.

Description of the Plan of Arrangement

The following description of the Plan of Arrangement is qualified in its entirety by reference to the full text of the Plan of Arrangement, a copy of which is attached as Schedule “B” of this Circular.

If approved, the Plan of Arrangement will become effective at the Effective Time (which is expected to be at 12:01 a.m. (*Pacific Standard Time*) on a date to be determined, which date is expected to take place as soon as reasonably practicable following satisfaction of the conditions precedent in the Arrangement Agreement and will be binding at and after the Effective Time on each of (i) Tethyan; (ii) Adriatic; (iii) Former Tethyan Shareholders, (iv) Tethyan Optionholders, and (v) Tethyan Warrantholders.

Commencing at the Effective Time, the following events or transactions shall occur and shall be deemed to occur in the following sequence without any further act or formality:

- (i) each Tethyan Share held by a Dissenting Shareholder in respect of which the Tethyan Shareholder has validly exercised his, her or its Dissent Rights shall be directly transferred and assigned by such Dissenting Shareholder to Adriatic (free and clear of any liens, charges and encumbrances of any nature whatsoever);
- (ii) each Tethyan Share (other than any Tethyan Share held by any Dissenting Shareholder) shall be deemed to be transferred to Adriatic (free and clear of any liens, charges and encumbrances of any nature whatsoever) and in consideration therefore Adriatic will issue to each Tethyan Shareholder 0.166 of an Adriatic Share for each Tethyan Share held by such Tethyan Shareholder;
- (iii) with respect to each of the Tethyan Shares transferred and assigned in accordance with item (i) and (ii) above:
 - (a) the registered holder thereof shall cease to be the registered holder of such Tethyan Share and the name of such registered holder shall be removed from the central securities register of holders of Tethyan Shares as of the Effective Time;
 - (b) the registered holder thereof shall be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to transfer and assign such security to Adriatic; and

- (c) Adriatic will be the holder of all of the outstanding Tethyan Shares and the central securities register of holders of Tethyan Shares shall be revised accordingly;
- (iv) each outstanding Tethyan Option will be exchanged for Replacement Options issued pursuant to the Option Plan 2019. Each Replacement Option will entitle the holder to purchase from Adriatic the number of Adriatic Shares (rounded down to the nearest whole number) equal to the Exchange Ratio, multiplied by the number of Tethyan Shares subject to such Tethyan Option immediately prior to the Effective Time, at an exercise price per Adriatic Share (rounded up to the nearest whole penny) equal to (i) the exercise price per Tethyan Share otherwise purchasable pursuant to such Tethyan Option immediately prior to the Effective Time, divided by (ii) the Exchange Ratio. The exercise prices of the Replacement Options will be expressed, and payable, in Sterling, with such exercise prices converted from Canadian dollars to Sterling based upon the "Daily Spot Exchange Rate" for the Canadian dollar against Sterling published by the Bank of England on the Effective Date. Other than as set out herein, the term to expiry and, subject to compliance with listing conditions of the LSE and the ASX, the conditions to and manner of exercising, vesting schedule and all other terms and conditions of such Replacement Options will be the same as the Tethyan Option for which it was exchanged. However, the terms of the Option Plan 2019 shall apply, govern and supersede the terms of any Tethyan Options in exchange for which the Replacement Options are issued;
- (v) each outstanding Tethyan Warrant will be exchanged for Replacement Warrants. Each Replacement Warrant will entitle the holder to purchase from Adriatic the number of Adriatic Shares (rounded down to the nearest whole number) equal to the Exchange Ratio, multiplied by the number of Tethyan Shares subject to such Tethyan Warrant immediately prior to the Effective Time, at an exercise price per Adriatic Share (rounded up to the nearest whole penny) equal to (i) the exercise price per Tethyan Share otherwise purchasable pursuant to such Tethyan Warrant immediately prior to the Effective Time, divided by (ii) the Exchange Ratio. The exercise prices of the Replacement Warrants will be expressed, and payable, in Sterling, with such exercise prices converted, where necessary, from Canadian dollars to Sterling based upon the "Daily Spot Exchange Rate" for the Canadian dollar against Sterling published by the Bank of England on the Effective Date. Other than as set out herein, the term to expiry and, subject to compliance with listing conditions of the LSE and the ASX, the conditions to and manner of exercising and all other terms and conditions of such Replacement Warrants will be the same as the Tethyan Warrants for which it was exchanged;
- (vi) with respect to each Tethyan Option and Tethyan Warrant exchanged in accordance with item (iv) and (v) above:
 - (a) the registered holder of such Tethyan Option or Tethyan Warrant immediately prior to such exchange shall cease to be the registered holder thereof, the name of such registered holder shall be removed from the register maintained by or on behalf of Tethyan or its subsidiaries in respect thereof and the Tethyan Options and Tethyan Warrants shall be cancelled;
 - (b) the registered holder of such Tethyan Option or Tethyan Warrant immediately prior to such exchange shall be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to exchange such Tethyan Option or Tethyan Warrant with Adriatic for the Replacement Option or the Replacement Warrant, respectively; and
 - (c) the name of the registered holder of such Tethyan Option or Tethyan Warrant immediately prior to such exchange shall be added to the register maintained by or behalf of Adriatic in respect of the Replacement Option or the Replacement Warrant, respectively.

See the Plan of Arrangement attached as Schedule "B" of this Circular for additional information.

Shareholder and Court Approval

Tethyan Shareholder Approval

At the Tethyan Meeting, the Tethyan Shareholders will be asked to consider and, if deemed advisable, approve the Arrangement Resolution as set forth in Schedule "A" of this Circular.

The Arrangement Resolution must be approved, with or without variation, by not less than two-thirds of the votes cast on the Arrangement Resolution by the Tethyan Shareholders, who are represented via telephone conference or by proxy at the Tethyan Meeting and entitled to vote thereat in accordance with the provisions of the BCBCA, the Interim Order and the requirements of any applicable regulatory authority.

Tethyan Warrantholders and Tethyan Optionholders will not be entitled to vote on the Arrangement Resolution or any other matters to be considered at the Tethyan Meeting. If the Arrangement is completed, each Tethyan Option and Tethyan Warrant will be exchanged for options and warrants issued by Adriatic in accordance with their terms. The number of Adriatic Shares issuable on exercise of such Replacement Options and Replacement Warrants, and the exercise price, will be adjusted based on the Exchange Ratio. In addition, the exercise price shall be converted to Sterling based on the exchange rate on the effective date of the Arrangement. As a result thereof, Tethyan Warrantholders and Tethyan Optionholders will receive the same consideration, upon exercise of their Replacement Warrants or Replacement Options, that Tethyan Shareholders will receive pursuant to the Arrangement.

Reference is also made to the section "*The Arrangement – Dissent Rights*" in this Circular for information concerning the rights of Registered Tethyan Shareholders to dissent in respect of the Arrangement Resolution.

The Tethyan Board and management of Tethyan recommend that Tethyan Shareholders VOTE FOR the Arrangement Resolution. In the absence of instructions to the contrary, the persons whose names appear in the Tethyan Proxy sent to Tethyan Shareholders together with this Circular intend to VOTE FOR the Arrangement Resolution.

If the Arrangement Resolution does not receive the requisite approval of Tethyan Shareholders, the Arrangement will not proceed.

Court Approval

The Arrangement requires approval by the Court under Section 291 of the BCBCA. On July 13, 2020, Tethyan obtained the Interim Order providing for, collectively, the calling, holding and conducting of the Tethyan Meeting and other procedural matters, and a Notice of Hearing of Petition for the Final Order to approve the Arrangement has been filed. Copies of the Interim Order and the Notice of Hearing of Petition for the Final Order are attached as Schedule "C" and Schedule "E", respectively, to this Circular.

The Court hearing in respect of the Final Order is expected to take place at 9:45 a.m. (*Pacific Standard Time*), on August 20, 2020, or as soon thereafter as counsel for Tethyan may be heard, at the Supreme Court of British Columbia, located at 800 Smithe Street, Vancouver, British Columbia, Canada, V6Z 2E1. At the hearing, the Court will consider, among other things, the fairness of the terms and conditions of the Arrangement and the rights and interests of every person affected. Tethyan has been advised by their legal counsel that the Court has broad discretion under the BCBCA when making orders with respect to a plan of arrangement and that the Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and procedural point of view. The Court may approve the Arrangement in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit. The Court will be advised prior to the hearing of the application for the Final Order that if the terms and conditions of the Arrangement are approved by the Court, the securities to be issued pursuant to the Arrangement will not be registered under the U.S. Securities Act and will be issued in reliance on the exemption from registration provided by Section 3(a)(10) thereunder and that the Final Order will constitute the basis for such exemption.

Under the terms of the Interim Order, each Tethyan Shareholder and any holder of any other right to acquire a security of Tethyan will have the right to appear and make submissions at the application for the Final Order. Any person desiring to appear at the hearing of the application for the Final Order may do so but must comply with certain procedural requirements described in the Interim Order and in the Notice of Hearing of Petition for the Final Order, including filing an appearance with the Court registry and serving same on Tethyan's counsel, along with a copy of all affidavits or other materials upon which they intend to rely, at the address set out below, no later than 4:00 p.m. (*Pacific Standard Time*) on August 18, 2020:

Blake, Cassels & Graydon LLP
Suite 2600, Three Bentall Centre
Vancouver, British Columbia V7X 1L3
Attention: Sean K. Boyle

Tethyan Shareholders who wish to participate in or be represented at the Court hearing for the Final Order should consult their legal advisors as to the necessary requirements.

Dissent Rights

There is no mandatory statutory right of dissent and appraisal in respect of plans of arrangement under the BCBCA. However, as contemplated in the Interim Order and the Arrangement, Tethyan has granted the Dissent Rights to Dissenting Shareholders.

Under applicable Canadian Laws, Registered Tethyan Shareholders are entitled to dissent rights with respect to the Arrangement Resolution. Tethyan Optionholders and Tethyan Warrantholders are not entitled to dissent rights with respect to Arrangement Resolution.

Tethyan Shareholders who wish to dissent should take note that the procedures for dissenting to the Arrangement Resolution require strict compliance with the Dissent Procedures.

The following description of the rights of Registered Tethyan Shareholders to dissent from the Arrangement Resolution is not a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the fair value of their Tethyan Shares. A Registered Tethyan Shareholder's failure to follow exactly the procedures set forth in Sections 237 to 247 of the BCBCA, as modified or supplemented by the Interim Order, the Plan of Arrangement and any other applicable order of the Court, will result in the loss of such Registered Tethyan Shareholder's Dissent Rights. If you are a Registered Tethyan Shareholder and wish to dissent in respect of the Arrangement Resolution, you should obtain your own legal advice and carefully read the Plan of Arrangement (see Schedule "B" of this Circular), the provisions of Sections 237 to 247 of the BCBCA (attached as Schedule "D" to this Circular) and the Interim Order (attached as Schedule "C" to this Circular). In addition to any other restrictions under Sections 237 to 247 (as modified or supplemented by the Interim Order, the Plan of Arrangement and any other order of the Court), holders of securities convertible for Tethyan Shares are not entitled to exercise dissent rights.

Any Registered Tethyan Shareholder is entitled to be paid the fair value of the Tethyan Shares held, by such holder in accordance with Section 245 of the BCBCA, as modified by the Plan of Arrangement, the Interim Order and any other order of the Court, if such holder exercises Dissent Rights in respect of such Tethyan Shares, and the Arrangement becomes effective.

Anyone who is a beneficial owner of Tethyan Shares registered in the name of an intermediary and who wishes to dissent should be aware that only Registered Tethyan Shareholders are entitled to exercise Dissent Rights. A Registered Tethyan Shareholder who holds Tethyan Shares as an intermediary for one or more beneficial owners, one or more of whom wish to exercise Dissent Rights, must exercise such Dissent Rights on behalf of such holder(s). In such case, the notice should specify the number of Tethyan Shares held by the intermediary for such beneficial owner. A Dissenting Shareholder may dissent only with respect to all of the Tethyan Shares held on behalf of any one beneficial owner and registered in the name of the Dissenting Shareholder.

A brief summary of the provisions of Sections 237 to 247 of the BCBCA is set out below. This summary is qualified in its entirety by the provisions of Sections 237 to 247 of the BCBCA, the full text of which is set forth in Schedule "D" to this Circular, the Interim Order and by the Plan of Arrangement. The Court hearing the application for the Final Order has the discretion to alter the Dissent Rights described herein.

Tethyan Shareholders who exercise Dissent Rights and who:

- a) are ultimately entitled to be paid fair value for their Tethyan Shares shall be deemed to have transferred such Tethyan Shares to Adriatic as of the Effective Time without any further act or formality and free and clear of all liens, claims and encumbrances, in consideration for the payment by Adriatic of the fair value thereof, in cash; or
- b) are ultimately not entitled, for any reason, to be paid fair value for their Tethyan Shares shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting holder of Tethyan Shares and shall receive Consideration Shares on the basis determined in accordance with the Plan of Arrangement;

but in no case shall Adriatic, Tethyan or any other person be required to recognize such Persons as holders of Tethyan Shares after the Effective Time, and the names of such Persons shall be deleted from the register of Tethyan Shareholders at the Effective Time. **There can be no assurance that a Dissenting Shareholder will receive consideration for its Tethyan Shares of equal or greater value to the consideration that such Dissenting Shareholder would have received under the Arrangement.**

Sections 237 to 247 of the BCBCA

Sections 237 to 247 of the BCBCA, as modified by the Plan of Arrangement and the Interim Order, provide that Registered Tethyan Shareholders who dissent to the Arrangement may exercise a right of dissent and require Adriatic to purchase the Tethyan Shares held by such shareholders at the fair value of such shares.

The exercise of Dissent Rights does not deprive a Registered Tethyan Shareholder of the right to vote at the Tethyan Meeting. However, a Tethyan Shareholder is not entitled to exercise Dissent Rights in respect of the Arrangement Resolution if such holder votes any of the Tethyan Shares beneficially held by such holder in favour of such Arrangement Resolution. A Dissenting Shareholder is required to send a written objection to the Arrangement Resolution to Tethyan, prior to the Tethyan Meeting. **A vote against the Arrangement Resolution or not voting on the Arrangement Resolution does not constitute a written objection for purposes of the right to dissent under Section 242 of the BCBCA.**

Address for Notice

All notices of dissent to the Arrangement Resolution from Dissenting Shareholders, pursuant to Sections 237 to 247 of the BCBCA should be addressed to the attention of the individual set out below and be sent not later than 5:00 p.m. (*Pacific Daylight Time*) on the date that is two Business Days immediately prior to the Tethyan Meeting or any date to which the Tethyan Meeting may be postponed or adjourned to Tethyan's counsel:

Morton Law LLP
1200 – 750 West Pender Street
Vancouver, British Columbia V6C 2T8
Attention: Jed M. Hops

Strict Compliance with Dissent Provisions Required

The foregoing summary does not purport to provide comprehensive statements of the procedures to be followed by a Dissenting Shareholder under Sections 237 to 247 of the BCBCA, as modified by the Plan of Arrangement and the Interim Order, and reference should be made to the specific provisions of Section 237 to 247 of the BCBCA, the Plan of Arrangement and the Interim Order, as applicable. The BCBCA requires strict adherence to the procedures regarding the exercise of rights established therein. The failure to adhere to such procedures may result in the loss of all rights of dissent.

Accordingly, each Tethyan Shareholder who wishes to exercise Dissent Rights with respect to the Arrangement Resolution should carefully consider and comply with the provisions of Section 242 of the BCBCA, as modified by the Plan of Arrangement and the Interim Order, and consult a legal advisor. A copy of Sections 237 to 247 of the BCBCA is set out in Schedule "D" of this Circular.

A Tethyan Shareholder wishing to exercise Dissent Rights should seek independent legal advice.

Condition of the Arrangement

Under the Arrangement Agreement, it is a condition of the Arrangement that Tethyan Shareholders, holding no more than 5% of the outstanding Tethyan Shares, have validly exercised Dissent Rights. This condition precedent is for the exclusive benefit of Adriatic and may be waived (in writing) in whole or in part, by Adriatic prior to the Effective Time.

THE ARRANGEMENT AGREEMENT

The Arrangement will be carried out pursuant to the Arrangement Agreement and the Plan of Arrangement. The following is a summary of the principal terms of the Arrangement Agreement. **This summary does not purport to be complete and is qualified in its entirety by reference to the Arrangement Agreement, a copy of which may be viewed under Tethyan's profile on SEDAR at www.sedar.com, and to the Plan of Arrangement, the full text of which is attached as Schedule "B" to this Circular. Tethyan Shareholders are encouraged to read each of the Arrangement Agreement and the Plan of Arrangement in their entirety.**

On June 12, 2020, Adriatic and Tethyan entered into the Arrangement Agreement, pursuant to which Adriatic and Tethyan agreed that, subject to the terms and conditions set forth in the Arrangement Agreement, Adriatic will acquire all of the issued and outstanding Tethyan Shares. The terms of the Arrangement Agreement are the result of arm's length negotiations among Adriatic and Tethyan and their respective advisors.

Representations and Warranties

The Arrangement Agreement contains representations and warranties made by each of Tethyan to Adriatic and representations and warranties made by Adriatic to Tethyan. These representations and warranties were made solely for purposes of the Arrangement Agreement and may be subject to important qualifications and limitations agreed to by the Parties in connection with negotiating the terms of the Arrangement Agreement. In addition, some of these representations and warranties are made as of specified dates, are subject to a contractual standard of materiality or Material Adverse Effect different from that generally applicable to public disclosure of Tethyan or Adriatic, or are used for the purpose of allocating risk between the parties to the Arrangement Agreement. For the foregoing reasons, you should not rely on the representations and warranties contained in the Arrangement Agreement as statements of factual information at the time they were made or otherwise.

The Arrangement Agreement contains certain representations and warranties of Tethyan relating to, among other things: organization and qualification; authority to enter into the Arrangement Agreement and no violation of constating documents; Tethyan Board determination; the Subsidiaries and EFPP; compliance with Laws; capitalization and listing on the TSXV; shareholder, pooling, voting trust or other similar agreement relating to the Tethyan Shares; U.S. Securities Laws; public filings; financial statements; liabilities; foreign currency hedging; properties and mineral rights; mineral information; exploration information; operational matters; employment matters;

absence of certain changes or events; litigation; tax matters; accuracy of books and records; insurance; fees and expenses; non-arm's length transactions; environmental matters; restrictions on business activities; material contracts; absence of fees to brokers; absence of cease trade orders; reporting issuer status; stock exchange compliance; no expropriation; corrupt practices legislation; Competition Act; Supporting Tethyan Shareholders; insolvency; title to assets; Tethyan information; and the EFPP SpinCo.

Covenants

Each of Tethyan and Adriatic has given the usual and customary covenants for an agreement of the nature of the Arrangement Agreement, including to use all reasonable commercial efforts to satisfy, or cause to be satisfied, all conditions precedent to its obligations to the extent that the same is within its control and to take, or cause to be taken, all other commercially reasonable actions and will do, or cause to be done, all other commercially reasonable things necessary, proper or advisable under all applicable Laws to support the Arrangement, including, but not limited to, using its reasonable commercial efforts to: obtain all necessary consents, approvals and authorizations as are required to be obtained by it under any applicable Law and co-operate with the other Party in connection with the performance by it of its obligations under the Arrangement Agreement.

Tethyan has also given the usual and customary covenants for an agreement of the nature of the Arrangement Agreement, including to, until the earlier of the Effective Time and termination of the Arrangement Agreement, conduct business in the usual and ordinary course and not to undertake certain actions without prior written consent of Adriatic, including with respect to issuance of securities, capital reorganizations and financing, capital and operating expenditures, asset acquisitions or dispositions, and material contract rights.

Conditions Precedent to the Arrangement

Mutual Conditions

The obligations of Tethyan and Adriatic to complete the transactions contemplated by the Arrangement Agreement are subject to the fulfillment, on or before the Effective Time, of the following conditions, each of which may only be waived by mutual consent of Tethyan and Adriatic:

- the Arrangement Resolution shall have been approved and adopted by the Tethyan Shareholders at the Tethyan Meeting, in accordance with the Interim Order;
- the Interim Order and the Final Order shall each have been obtained in respect of the Arrangement in a form satisfactory to Adriatic, acting reasonably, and shall not have been set aside or modified in any manner unacceptable to Adriatic and Tethyan on appeal or otherwise;
- Tethyan shall have received any requisite approval of the TSXV in connection with the Arrangement;
- Adriatic shall have received any requisite approval of its shareholders, the LSE, the FCA and the ASX in connection with the Arrangement;
- the absence of any court or other order of any Governmental Entity and no Governmental Entity shall have enacted, issued, promulgated, enforced or entered any Law which is then in effect, in each case, which has the effect of making the Arrangement illegal or otherwise preventing or prohibiting consummation of the Arrangement in accordance with the terms contemplated herein; and
- all required regulatory approvals shall have been obtained on terms satisfactory to each Adriatic and Tethyan, acting reasonably.

Additional Conditions Precedent to the Obligation of Adriatic

The obligation of Adriatic to complete the Arrangement is subject to the fulfillment of each of the following conditions precedent on or before the Effective Time (each of which is for the exclusive benefit of Adriatic and may be waived by Adriatic):

- all covenants of Tethyan under the Arrangement Agreement to be performed on or before the Effective Time which have not been waived by Adriatic shall have been duly performed by Tethyan in all material respects and Adriatic shall have received a certificate of Tethyan addressed to Adriatic and dated the Effective Date, signed on behalf of Tethyan by a senior executive officer of Tethyan (without personal liability), confirming the same as at the Effective Date;
- all representations and warranties of Tethyan set forth in the Arrangement Agreement that are qualified by materiality or by the expression Material Adverse Effect shall be true and correct in all respects, as though made on and as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), and all other representations and warranties of Tethyan shall be true and correct in all material respects, as though made on and as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), and Adriatic shall have received a certificate from Tethyan, addressed to Adriatic and dated the Effective Date, signed on behalf of Tethyan by a senior executive officer of Tethyan (without personal liability), confirming the same as at the Effective Date;
- no action, suit or proceeding, shall have been taken under any applicable Law or by any Governmental Entity, and no Law, policy, decision or directive (having the force of Law) shall have been enacted, promulgated, amended or applied, in each case: (i) that makes consummation of the Arrangement or the transactions contemplated under the EFPP Acquisition Agreement illegal; (ii) to enjoin or prohibit the Plan of Arrangement or the transactions contemplated by the Arrangement Agreement, including the EFPP Acquisition Agreement; (iii) which would render the Arrangement Agreement or any of the Voting Support Agreements unenforceable in any way or frustrate the purpose and intent hereof or thereof; (iv) resulting in any judgment or assessment of damages, directly or indirectly, which, individually or in the aggregate, has had or could be reasonably expected to have a Material Adverse Effect on Tethyan; or (v) if the Arrangement were consummated, could reasonably be expected to cause a Material Adverse Effect on Adriatic;
- since the date of the Arrangement Agreement, there shall not have occurred a Material Adverse Effect in respect of Tethyan, and Adriatic shall have received a customary certificate of Tethyan addressed to Adriatic and dated the Effective Date, signed on behalf of Tethyan by a senior executive officer of Tethyan (without personal liability), confirming the same as at the Effective Date;
- each of the Voting Support Agreements shall be in full force and effect and there shall not have occurred any breach of any covenant or agreement or any representation or warranty by the parties thereto other than Adriatic;
- holders of no more than 5% of the outstanding Tethyan Shares, in the aggregate, shall have exercised Dissent Rights;
- the fees and expenses of Tethyan incurred after the date of the Letter Agreement in connection with the Arrangement shall not have exceeded \$225,000, which shall not include the filing fees paid by Tethyan to the British Columbia Securities Commission and/or the Alberta Securities Commission in connection with an application for exemptive relief to such securities commissions;
- Tethyan shall have no more than \$100,000 in liabilities due, accrued due or that will become payable on completion of the Arrangement (including all accounts payable) other than liabilities previously agreed to by Tethyan and Adriatic, and Adriatic shall have received a certificate signed on behalf of Tethyan by a senior executive officer of Tethyan (without personal liability), confirming the same as at the time that is immediately prior to the Effective Time;

- Tethyan shall have obtained and delivered to Adriatic: (i) written resignations, effective as of the Effective Date, from each of the directors and officers of Tethyan and its Subsidiaries as determined by Adriatic; and (ii) corresponding mutual releases between each such resigning director and officer, in form and substance satisfactory to Adriatic. Tethyan shall have taken such actions as reasonably required to appoint replacement directors and officers, as advised by Adriatic, in respect of Tethyan and each of its Subsidiaries;
- Tethyan shall have taken such actions as reasonably required to appoint directors and officers, as advised by Adriatic, of Tethyan and its Subsidiaries in accordance with applicable Laws in order to replace the directors and officers of Tethyan and its Subsidiaries that have resigned as contemplated the Arrangement Agreement;
- Tethyan shall have taken such actions as required to revoke any powers of attorney granted by it or its Subsidiaries;
- the transactions contemplated under the May EFPP Amendment, including the EFPP Spin-Off Transaction, shall have been completed as contemplated in the May EFPP Amendment, including that EFPP SpinCo will have all right, title and interest in the EFPP Rights free and clear of any liens;
- all material contracts, including the EFPP Acquisition Agreement, of Tethyan and its Subsidiaries shall remain in full force and effect, unamended by the parties thereto;
- Tethyan shall have received all consents of any third parties under material contracts or otherwise in connection with the Arrangement;
- Tethyan shall have terminated the amended and restated management services agreement between Tethyan, 688284 B.C. Ltd., Arizona Mining Inc., NewCastle Gold Ltd., Titan Mining Corporation, Armor Minerals Inc. and Solaris Resources Inc. dated effective June 1, 2017, as amended by amending agreements dated January 30, 2019 and January 2, 2020, on a basis that does not result in any termination payment, penalty or similar payment being payable or other liability being incurred by Tethyan in connection with such termination or the completion of the Arrangement in excess of \$225,000;
- each amended management agreement shall have been executed by Tethyan or its Subsidiaries and in full force and effect, as applicable, and Tethyan shall have obtained and delivered to Adriatic written waivers and releases from each other applicable director, officer, employee, consultant or independent contractor that has any entitlement to any change of control, severance or other payment as a result of the Arrangement;
- the distribution of the Consideration Shares under the Arrangement shall be exempt from the registration and prospectus requirements (or the publication of any equivalent document) under applicable Canadian Securities Laws; and
- Tethyan shall have delivered, or caused to be delivered, to Adriatic any other documents, agreements or other instruments as reasonably required by Adriatic to give necessary effect to the Arrangement.

The foregoing conditions will be for the sole benefit of Adriatic and may be waived by Adriatic in whole or in part at any time.

Additional Conditions Precedent to the Obligation of Tethyan

The obligation of Tethyan to complete the Arrangement is subject to the fulfillment of each of the following conditions precedent on or before the Effective Time (each of which is for the exclusive benefit of Tethyan and may be waived by Tethyan):

- all covenants of Adriatic under the Arrangement Agreement to be performed on or before the Effective Time which have not been waived by Tethyan shall have been duly performed by Adriatic in all material respects and Tethyan shall have received a customary certificate of Adriatic, addressed to Tethyan and dated the

Effective Date, signed on behalf of Adriatic by a senior executive officer of Adriatic (on Adriatic's behalf and without personal liability), confirming the same as of the Effective Date;

- all representations and warranties of Adriatic set forth herein that are qualified by materiality or by the expression of Material Adverse Effect shall be true and correct in all respects, as though made on and as of the Effective Time, and all other representations and warranties of Adriatic set forth in the Arrangement Agreement shall be true and correct in all material respects, as though made on and as of the Effective Time and Tethyan shall have received a certificate from Adriatic, addressed to Tethyan and dated the Effective Date, signed on behalf of Adriatic by a senior executive officer of Adriatic, confirming the same as at the Effective Date;
- since the date of the Arrangement Agreement, there shall not have occurred a Material Adverse Effect in respect of Adriatic and Tethyan shall have received a customary certificate of Adriatic addressed to Tethyan and dated the Effective Date, signed on behalf of Adriatic by a senior executive officer of Adriatic (without personal liability), confirming the same as at the Effective Date;
- Adriatic shall have complied with its obligations under the Arrangement Agreement with respect to exchange of the Tethyan Options, Tethyan Warrants and payment of the Consideration, and the Depositary shall have confirmed receipt of the Consideration; and
- Adriatic shall have delivered evidence satisfactory to Tethyan, acting reasonably, of the approval of listing on the LSE of the Consideration Shares and the Adriatic Shares to be issued upon exercise of the Tethyan Options and the Tethyan Warrants, subject only to satisfaction of the customary listing conditions of the LSE.

The foregoing conditions will be for the sole benefit of Tethyan and may be waived by Tethyan in whole or in part at any time.

Non-Solicitation / Right to Match

On and after the date of the Arrangement Agreement, except as otherwise provided in the Arrangement Agreement, Tethyan shall not, directly or indirectly, through any officer, director, employee, advisor, representative, agent or otherwise:

- make, solicit, assist, initiate, encourage, engage in, respond to or otherwise facilitate any inquiries, proposals or offers relating to any Acquisition Proposal, or furnish to any Person any information with respect to, or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by a Person other than Adriatic pursuant to the Arrangement Agreement to do or seek to do any of the foregoing;
- engage or participate in any discussions or negotiations regarding, or provide any information with respect to, or otherwise co-operate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt to make or complete any Acquisition Proposal, provided that, for greater certainty, Tethyan may advise any Person making an unsolicited Acquisition Proposal that such Acquisition Proposal does not constitute a Superior Proposal when the Tethyan Board has so determined;
- withdraw, modify or qualify, or propose publicly to withdraw, modify or qualify, in any manner adverse to Adriatic or the Arrangement, the approval or recommendation of the Tethyan Board or any committee thereof of the Arrangement Agreement or the Arrangement;
- approve, recommend or remain neutral with respect to, or propose publicly to approve, recommend or remain neutral with respect to, any Acquisition Proposal (it being understood that publicly taking no position or a neutral position with respect to an Acquisition Proposal until fifteen (15) days following formal announcement of such Acquisition Proposal shall not be considered a violation of this clause of the Arrangement Agreement; or

- accept or enter into, or publicly propose to accept or enter into, any letter of intent, agreement in principle, agreement, arrangement or undertaking related to any Acquisition Proposal,

provided, however, that nothing contained in the Arrangement Agreement shall prevent the Tethyan Board from considering, and the Tethyan Board shall be permitted to engage in discussions or negotiations with, or respond to enquiries from any person that has made a bona fide unsolicited written Acquisition Proposal that the Tethyan Board has determined, acting in good faith and after consultation with its financial advisors and outside legal counsel, constitutes or could reasonably be expected to result in a Superior Proposal.

Tethyan has covenanted that it will immediately cease and cause to be terminated any existing discussions or negotiations with any Person (other than Adriatic) with respect to any potential Acquisition Proposal and, in connection therewith, Tethyan will discontinue access to any of its confidential information (and not establish or allow access to any of its confidential information, or any data room, virtual or otherwise) and shall as soon as possible request the return or destruction of all confidential information provided in connection therewith to the extent such information has not already been returned or destroyed.

Tethyan will immediately provide notice to Adriatic of any *bona fide* unsolicited Acquisition Proposal or any proposal, inquiry or offer that could lead to an Acquisition Proposal or any amendments to the foregoing or any request for non-public information relating to Tethyan in connection with such an Acquisition Proposal or for access to the properties, books or records of Tethyan by any Person that informs Tethyan or any member of the Tethyan Board that it is considering making, or has made, an Acquisition Proposal. Such notice to Adriatic shall be made, from time to time, first immediately orally and then promptly (and in any event within 24 hours) in writing and shall indicate the identity of the Person making such proposal, inquiry or contact, all material terms thereof and such other details of the proposal, inquiry or contact known to Tethyan, and shall include copies of any such proposal, inquiry, offer or request or any amendment to any of the foregoing. Tethyan shall keep Adriatic promptly and fully informed of the status, including any change to the material terms, of any such Acquisition Proposal, offer, inquiry or request and will respond promptly to all inquiries by Adriatic with respect thereto.

Tethyan agrees that it will not accept, approve or enter into any agreement (a “**Proposed Agreement**”) with any Person providing for or to facilitate any Acquisition Proposal unless:

- (i) the Tethyan Board acting in good faith after consultation with its outside legal counsel, determines that the Acquisition Proposal constitutes a Superior Proposal;
- (ii) the Tethyan Meeting has not occurred;
- (iii) Tethyan has complied with the non-solicitation requirements set out above;
- (iv) Tethyan has provided Adriatic with a notice in writing that there is a Superior Proposal together with all documentation related to and detailing the Superior Proposal, including a copy of any Proposed Agreement relating to such Superior Proposal, and a written notice from the Tethyan Board regarding the value in financial terms that the Tethyan Board has in consultation with its financial advisors determined in good faith should be ascribed to any non-cash consideration offered under the Superior Proposal, such documents to be so provided to Adriatic not less than five (5) Business Days prior to the earliest of the proposed acceptance, approval, recommendation or execution of the Proposed Agreement by Tethyan;
- (v) five (5) Business Days shall have elapsed from the date Adriatic received the notice and documentation referred to in paragraph (iv) above from Tethyan (the “**Response Period**”) and, if Adriatic has proposed to amend the terms of the Arrangement Agreement and the Arrangement as detailed below, the Tethyan Board shall have determined, in good faith, after consultation with its financial advisors and outside legal counsel, that the Acquisition Proposal is a Superior Proposal compared to the proposed amendment to the terms of the Arrangement by Adriatic;
- (vi) Tethyan concurrently terminates the Arrangement Agreement; and

- (vii) Tethyan has previously, or concurrently will have, paid to Adriatic the Adriatic Termination Fee, any expense reimbursement under Section 8.3(g) and repaid to Adriatic all amounts outstanding under the Loan Agreement;

and Tethyan further agrees that it will not withdraw, modify or qualify (or propose to withdraw, modify or qualify) in any manner adverse to Adriatic the approval or recommendation of the Arrangement, nor accept, approve or recommend any Acquisition Proposal unless the requirements of paragraphs (i) through (vi) above have been satisfied.

Tethyan acknowledges and agrees that, during the five (5) Business Day period referred to in Sections 7.1(d)(iv) and the Response Period, or such longer period as Tethyan may agree for such purpose, Adriatic shall have the opportunity, but not the obligation, to propose to amend the terms of the Arrangement Agreement and the Arrangement and Tethyan shall co-operate with Adriatic with respect thereto, including negotiating in good faith with Adriatic to enable Adriatic to make such adjustments to the terms and conditions of the Arrangement Agreement and the Arrangement as Adriatic deems appropriate and as would enable Adriatic to proceed with the Arrangement and any related transactions on such adjusted terms. The Tethyan Board will review any proposal by Adriatic to amend the terms of the Arrangement in order to determine, in good faith in the exercise of its fiduciary duties, whether Adriatic's proposal to amend the Arrangement Agreement and the Arrangement would result in the Acquisition Proposal not being a Superior Proposal compared to the proposed amendment to the terms of the Arrangement.

If: (i) Adriatic does not offer to amend the terms of the Arrangement Agreement and the Arrangement prior to the expiry of the Response Period; or (ii) the Tethyan Board determines, acting in good faith and in the proper discharge of its fiduciary duties (after consultation with its financial advisor and after receiving advice from its outside counsel), that the Acquisition Proposal would nonetheless remain a Superior Proposal with respect to Adriatic's proposal to amend the Arrangement Agreement and the Arrangement, and therefore rejects Adriatic's offer to amend the Arrangement Agreement and the Arrangement, Tethyan shall be entitled to terminate the Arrangement Agreement pursuant to Section 8.2 following the expiry of the Response Period and enter into the Proposed Agreement upon payment to Adriatic of the Adriatic Termination Fee, any expense reimbursement provided for in the Arrangement Agreement and repaid to Adriatic all amounts outstanding under the Loan Agreement.

The Tethyan Board shall promptly, and no later than within one (1) Business Day, reaffirm its recommendation of the Arrangement by press release after: (i) any Acquisition Proposal which it determines not to be a Superior Proposal is publicly announced or made; or (ii) it determines that a proposed amendment to the terms of the Arrangement Agreement and the Arrangement would result in the Acquisition Proposal, which has been publicly announced or made, not being a Superior Proposal, and Adriatic has so amended the terms of the Arrangement Agreement and the Arrangement. Adriatic and its counsel shall be given a reasonable opportunity to review and comment on the form and content of any such press release, recognizing that whether or not such comments are appropriate will be determined by Tethyan, acting reasonably.

Nothing in the Arrangement Agreement shall prevent the Tethyan Board from responding through a directors' circular or otherwise as required by applicable Securities Laws to an Acquisition Proposal that it determines is not a Superior Proposal. Further, nothing in the Arrangement Agreement shall prevent the Tethyan Board from making any disclosure to its securityholders if the Tethyan Board, acting in good faith and upon the advice of its outside legal counsel, shall have first determined that the failure to make such disclosure would be inconsistent with its fiduciary duties or such disclosure is otherwise required under applicable Law; provided, however, that, notwithstanding, the Tethyan Board shall be permitted to make such disclosure, the Tethyan Board shall not be permitted to make a Tethyan Change in Recommendation, other than as permitted above. In any such case, Adriatic and its counsel shall be given a reasonable opportunity to review and comment on the form and content of any such disclosure, recognizing that whether or not such comments are appropriate will be determined by Tethyan, acting reasonably.

Termination

The Arrangement Agreement may be terminated, at any time prior to the Effective Time (notwithstanding any approval of the Arrangement Agreement or the Arrangement Resolution by the Tethyan Shareholders and/or by the Court, as applicable):

- (i) by mutual written agreement of Adriatic and Tethyan;

(ii) by either Party, if:

- (a) the Effective Time shall have not occurred on or before the Outside Date (as may be extended pursuant to the Arrangement Agreement), except that the right to terminate the Arrangement Agreement under this paragraph shall not be available to any Party whose failure to fulfill any of its obligations or breach of any of its representations and warranties under the Arrangement Agreement has been the cause of, or resulted in, the failure of the Effective Time to occur by such Outside Date; or
- (b) the requisite approval of the Arrangement from the Tethyan Shareholders shall not have been obtained at the Tethyan Meeting in accordance with the Interim Order, except that the right to terminate the Arrangement Agreement under this paragraph shall not be available to any Party whose failure to fulfill any of its obligations or breach of any of its representations and warranties under the Arrangement Agreement has been the cause of, or resulted in, the failure to obtain such approval;

(iii) by Adriatic, if:

- (a) prior to the Effective Time: (1) except as permitted by the Arrangement Agreement, the Tethyan Board fails to recommend or withdraws, amends, modifies or qualifies, in a manner adverse to Adriatic or fails to publicly reaffirm its recommendation of the Arrangement within three (3) calendar days (and in any case prior to the Tethyan Meeting) after having been requested in writing by Adriatic to do so, in a manner adverse to Adriatic (a “**Tethyan Change in Recommendation**”); (2) the Tethyan Board or a committee thereof shall have approved or recommended any Acquisition Proposal; or (3) Tethyan shall have breached its non-solicitation covenants under the Arrangement Agreement in any respect;
- (b) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Tethyan set forth in the Arrangement Agreement shall have occurred that would cause any of the conditions set forth in Sections 6.1 or 6.2 not to be satisfied and such conditions are incapable of being satisfied within the period set forth in Section 7.3(b) and provided that Adriatic is not then in breach of the Arrangement Agreement so as to cause any of the conditions in Sections 6.1 or 6.3 not to be satisfied;
- (c) Adriatic has been notified in writing by Tethyan of a Proposed Agreement, and either: (1) Adriatic does not deliver an amended Arrangement proposal within five (5) Business Days of delivery of the Proposed Agreement to Adriatic; or (2) Adriatic delivers an amended Arrangement proposal but the Tethyan Board determines, acting in good faith and in the proper discharge of its fiduciary duties, that the Acquisition Proposal provided in the Proposed Agreement continues to be a Superior Proposal in comparison to the amended Arrangement terms offered by Adriatic; or
- (d) Tethyan fails to hold the Tethyan Meeting on or before the Meeting Deadline (as may be extended pursuant to the Arrangement Agreement), provided that such failure did not directly result from the failure by Adriatic to fulfil any obligations under the Arrangement Agreement; or

(iv) by Tethyan, if:

- (a) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Adriatic set forth in the Arrangement Agreement shall have occurred that would cause the conditions set forth in Sections 6.1 or 6.3 not to be satisfied and such conditions are incapable of being satisfied within the period set forth in Section 7.3(b) and provided that Tethyan is not then in breach of the Arrangement Agreement so as to cause any condition in Sections 6.1 or 6.2 not to be satisfied; or
- (b) it wishes to enter into a binding written agreement with respect to a Superior Proposal, provided that it has otherwise complied with the terms of the Arrangement Agreement with respect thereto and provided that no termination under this paragraph shall be effective unless and until Tethyan shall

have paid to Adriatic the Adriatic Termination Fee, any expense reimbursement provided for under the Arrangement Agreement, and repaid to Adriatic all amounts outstanding under the Loan Agreement.

Expenses and Termination Fees

- (i) Except as otherwise provided for in the Arrangement Agreement, all fees, costs and expenses incurred in connection with the Arrangement Agreement and the Plan of Arrangement will be paid by the Party incurring such fees, costs or expenses.
- (ii) For the purposes of the Arrangement Agreement:
 - (a) “**Adriatic Termination Fee**” means \$700,000; and
 - (b) “**Tethyan Termination Fee**” means \$350,000.
- (iii) For the purposes of the Arrangement Agreement, an “**Adriatic Termination Fee Event**” means the termination of the Arrangement Agreement:
 - (a) pursuant to: (A) any of the paragraphs (i) to (iv) under “*Termination*” above, by either Party, if at such time Adriatic is entitled to terminate the Arrangement Agreement pursuant to any of paragraphs (iii)(a), (iii)(b), (iii)(c) or (iii)(d) under “*Termination*” above; or (B) paragraphs (iii)(a), (iii)(b), (iii)(c) or (iii)(d) under “*Termination*” above by Adriatic;
 - (b) by Tethyan pursuant to paragraph (iv)(b) under “*Termination*” above; or
 - (c) by either Party pursuant to paragraph (ii)(a) under “*Termination*” above, but only if: (A) prior to such termination, an Acquisition Proposal shall have been made or publicly announced by any Person other than Adriatic; and (B) within twelve (12) months following the date of such termination, Tethyan or one or more of its Subsidiaries enters into a definitive agreement in respect of one or more Acquisition Proposals or there shall have been consummated one or more Acquisitions Proposals for Tethyan.
- (iv) For the purposes of the Arrangement Agreement, a “**Tethyan Termination Fee Event**” means, if no Adriatic Termination Fee Event has occurred, the termination of the Arrangement Agreement by Tethyan under paragraph (iv)(a) under “*Termination*” above.
- (v) The Adriatic Termination Fee shall become immediately payable upon the first Adriatic Termination Fee Event and shall not be payable thereafter.
- (vi) The Tethyan Termination Fee shall become immediately payable upon the Tethyan Termination Fee Event.
- (vii) Except as otherwise provided herein, all fees, costs and expenses incurred in connection with the Arrangement Agreement and the Plan of Arrangement shall be paid by the Party incurring such fees, costs or expenses. Notwithstanding the foregoing, in the event that: (a) any Adriatic Termination Fee Event occurs or if either Party terminates the Arrangement Agreement pursuant to paragraph (ii)(b) under “*Termination*” above, Tethyan shall immediately reimburse Adriatic in an amount of up to \$150,000 for all of its reasonable out-of-pocket expenses, including legal fees, incurred in connection with the Arrangement, subject to providing documentary evidence reasonably evidencing such expenses; and (ii) a Tethyan Termination Fee Event occurs, Adriatic shall immediately reimburse Tethyan in an amount of up to \$75,000 for all of its reasonable out-of-pocket expenses, including legal fees, incurred in connection with the Arrangement, subject to providing documentary evidence reasonably evidencing such expenses.

THE VOTING SUPPORT AGREEMENTS

Adriatic has entered into Voting Support Agreements with each of the Supporting Tethyan Shareholders who hold, an aggregate of 43,348,550 Tethyan Shares, 1,650,000 Tethyan Options and 15,995,699 Tethyan Warrants. The Tethyan Shares subject to the Voting Support Agreements represent approximately 54.3% of the issued and outstanding Tethyan Shares.

Pursuant to the Voting Support Agreements, each Supporting Tethyan Shareholder has agreed to:

- (a) vote (or cause to be voted) all their Tethyan Shares, Tethyan Options and Tethyan Warrants (the “**Securityholder’s Securities**”) at any meeting of the securityholders of Tethyan (including any meeting of holders of Tethyan Shares, Tethyan Options or Tethyan Warrants and all votes by class) of the foregoing: (A) in favour of the approval, consent, ratification and adoption of the transactions contemplated by the Arrangement Agreement; (B) against any Acquisition Proposal, Superior Proposal or other merger, reorganization, consolidation, amalgamation, arrangement, business combination, share exchange, liquidation, dissolution, recapitalization, or similar transaction involving Tethyan (other than any other agreement or transaction to which Adriatic is a party); (C) against any action that would result in any breach of any representation, warranty or covenant by Tethyan in the Arrangement Agreement or which might reasonably be expected to have a Material Adverse Effect on Tethyan; and (D) against any resolution to remove or change any of the directors of Tethyan, except with the prior written consent of Adriatic;
- (b) upon the request or direction of Adriatic, the Supporting Tethyan Shareholder shall promptly execute and deliver an irrevocable proxy in respect of any such resolution (and in respect of (A), the Securityholder shall deliver such proxy at least five (5) Business Days prior to such meeting date), and shall have the relevant Securityholder’s Securities counted or not counted as part of a quorum in connection with any such meeting;
- (c) not: (A) sell, transfer, gift, assign, pledge, hypothecate, encumber or otherwise dispose of any of the Securityholder’s Securities or any interest of the Supporting Tethyan Shareholder in the Securityholder’s Securities, or enter into any agreement, arrangement or understanding in connection therewith, without having first obtained the prior written consent of Adriatic; or (B) grant any proxies or powers of attorney, deposit any Securityholder’s Securities into a voting trust or enter into a voting agreement, understanding or arrangement with respect to any of the Securityholder’s Securities;
- (d) not, without the prior written consent of Adriatic, requisition or join in the requisition of any meeting of the securityholders of Tethyan for the purpose of considering any resolution;
- (e) not make any statements against the transactions contemplated by the Arrangement Agreement, or any aspect of it and to not bring, or threaten to bring, any suit or proceeding for the purpose of, or which has the effect of, directly or indirectly, stopping, preventing, impeding, delaying or varying such transactions or any aspect thereof;
- (f) not do indirectly that which it may not do directly in respect of the restrictions on its rights with respect to the Securityholder’s Securities pursuant to the Voting Support Agreement;
- (g) if the transactions provided for in the Arrangement Agreement receive all requisite shareholder and court approvals and the other conditions in the Arrangement Agreement are all satisfied and/or waived, promptly to deposit all of the Supporting Tethyan Shareholder’s Tethyan Shares, together with a duly completed letter of transmittal, with the Depository in accordance with the terms thereof;
- (h) to take all steps required to give effect to the treatment of the Supporting Tethyan Shareholder’s Tethyan Options and Tethyan Warrants as provided for in the Arrangement Agreement;

- (i) not exercise any rights of appraisal or rights of dissent the Supporting Tethyan Shareholder may have arising from the transactions contemplated by the Arrangement Agreement; and
- (j) not take any other action of any kind which might reasonably be regarded as likely to reduce the success of, or delay or interfere with the completion of, the transactions contemplated by the Arrangement Agreement.

The Voting Support Agreements will automatically terminate on the earlier of: (a) termination of the Arrangement Agreement; (b) the Effective Date; and (c) written notice by Adriatic.

Additionally, Supporting Tethyan Shareholders holding 38.3% of the issued and outstanding Tethyan Shares have agreed not to, directly or indirectly sell, transfer or otherwise dispose of any Adriatic Shares or Tethyan Shares until the earlier of: (a) six months after the Effective Time; and (b) any date after the Effective Time where the volume weighted average price of the Adriatic Shares on the ASX for the preceding 30 calendar day period is A\$2.00 or more.

PROCEDURE FOR EXCHANGE OF TETHYAN SHARES

Registered Tethyan Shareholders

A Letter of Transmittal is being mailed, together with this Circular, to each person who was a Registered Tethyan Shareholder on the Record Date. In order to receive the Consideration Shares to which a Registered Tethyan Shareholder (other than any Dissenting Shareholder) is entitled if the Arrangement is completed, a Registered Tethyan Shareholder must complete, sign, date and return the enclosed Letter of Transmittal in accordance with the instructions set out therein and in this Circular. It is recommended that Registered Tethyan Shareholders complete, sign and return the Letter of Transmittal, along with the accompanying Tethyan Share certificate(s), if applicable, and any other required documents or instruments to the Depositary as soon as possible.

The Letter of Transmittal is also available from the Depositary, by telephone at: 1-800-564-6253 (toll-free in North America) or 514-982-7555 (international); or under Tethyan's issuer profile on SEDAR at www.sedar.com.

Following receipt of the Final Order and prior to the Effective Date, Adriatic shall deliver or arrange to be delivered to the Depositary the certificate(s) or other evidence of ownership representing the Consideration Shares required to be issued to the Former Tethyan Shareholders in accordance with Section 5.1 of the Plan of Arrangement, which certificate(s) or other evidence of ownership shall be held by the Depositary as agent and nominee for such Former Tethyan Shareholders for distribution to such Former Tethyan Shareholders in accordance with the provisions of Section 5.1 of the Plan of Arrangement.

Receipt by the Depositary of the aggregate Consideration Shares payable by Adriatic to the Tethyan Shareholders under the Arrangement will be deemed to constitute receipt of payment by Registered Tethyan Shareholders depositing Tethyan Shares.

Upon surrender to the Depositary of the certificate(s) that immediately prior to the Effective Time represented the Tethyan Shares, and a duly completed Letter of Transmittal and such other documents as the Depositary may reasonably require, a Former Tethyan Shareholder (other than a Dissenting Shareholder) will be entitled to receive in exchange therefor, and as soon as practicable after the Effective Time, the Depositary will deliver to such Former Tethyan Shareholder, a certificate representing the number of Consideration Shares which such Former Tethyan Shareholder is entitled to receive under the Arrangement.

In the event of a transfer of ownership of Tethyan Shares which is not registered in the transfer records of Tethyan, as the case may be, a certificate representing the proper number of Tethyan Shares shall be delivered to a transferee if the certificate formerly representing such Tethyan Shares is presented to the Depositary at its offices, accompanied by the foregoing documents together with all other documents required to evidence and effect such transfer.

Until surrendered, each certificate or direct registration system advice that immediately prior to the Effective Time represented Tethyan Shares will, subject to certain exceptions, be deemed at any time after the Effective Time to

represent only the right to receive: (a) the aggregate Consideration Shares which the holder is entitled to receive in accordance with the Arrangement, and (b) any dividends or distributions with a record date on or after the Effective Date that are paid or payable prior to the date of receipt of the Letter of Transmittal and surrender of certificates (if applicable) on any Consideration Shares which the holder of such Tethyan Shares was entitled to receive under the Arrangement.

The Letter of Transmittal contains complete instructions on how to exchange the certificate(s) representing the Tethyan Shares and how Registered Tethyan Shareholders will receive the Consideration Shares payable to them under the Arrangement.

Registered Tethyan Shareholders should return properly completed documents, including the Letter of Transmittal, by mail to P.O. Box 7021, 31 Adelaide St E, Toronto, ON, M5C 3H2, Attention: Corporate Actions and by registered mail, hand or courier to 100 University Avenue, 8th Floor, Toronto, ON, M5J 2Y1, Attention: Corporate Actions. Tethyan Shareholders with questions regarding the deposit of their Tethyan Shares should contact the Depositary by telephone at: 1-800-564-6253 (toll-free in North America) or 514-982-7555 (international). Further information with respect to the Depositary is set forth in Letter of Transmittal.

In order for Registered Tethyan Shareholders to receive the Consideration Shares payable to them under the Arrangement as soon as possible after the closing of the Arrangement, Registered Tethyan Shareholders should submit their Tethyan Shares and the Letter of Transmittal as soon as possible.

Registered Tethyan Shareholders will not actually receive their respective Consideration Shares until the Arrangement is completed and they have returned their properly completed documents, including the Letter of Transmittal and certificate(s) representing their Tethyan Shares, if applicable, to the Depositary.

In the event any certificate which immediately before the Effective Time represented one or more outstanding Tethyan Shares in respect of which the holder was entitled to receive the Consideration Shares pursuant to the Arrangement are lost, stolen or destroyed, upon the making of an affidavit by the holder claiming such certificate to be lost, stolen or destroyed, the Depositary will issue in exchange for such lost, stolen or destroyed certificate, one or more certificates representing one or more Consideration Shares (and any dividends or distributions with respect thereto) deliverable in accordance with such holder's Letter of Transmittal. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the Person to whom the certificate representing Consideration Shares are to be issued shall, as a condition precedent to the issuance thereof, give a bond satisfactory to Adriatic and its transfer agent in such sum as Adriatic may direct or otherwise indemnify Adriatic in a manner satisfactory to Adriatic against any claim that may be made against Adriatic with respect to the certificate alleged to have been lost, stolen or destroyed.

Where a certificate representing the Tethyan Shares has been destroyed, lost or stolen, the Registered Tethyan Shareholder of that certificate should immediately contact the Depositary by telephone at: 1-800-564-6253 (toll-free in North America) or 514-982-7555 (international).

If the Former Tethyan Shareholder wishes to hold their Adriatic Shares in uncertificated form (i.e. via CREST), then following the Effective Date, they will need to make arrangements with a CREST participant to deposit their Adriatic Shares into CREST in accordance with the procedures set forth in the CREST manual. As the procedures for depositing Adriatic Shares into CREST may vary between individual CREST participants, Tethyan Shareholders are encouraged to seek advice from their broker, investment dealer or other intermediaries with respect to the process to be followed for depositing the Adriatic Shares into CREST. The Depositary will not be involved in facilitating this process.

Non-Registered Tethyan Shareholders

Tethyan Shareholders whose Tethyan Shares are registered in the name of a broker, investment dealer or other intermediary should contact that broker, investment dealer or other intermediary for instructions and assistance in depositing their Tethyan Shares with the Depositary. Non-registered Tethyan Shareholders do not need to return a Letter of Transmittal.

CREST is the electronic settlement system operated by Euroclear UK & Ireland Limited enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The articles of association of Adriatic permit the holding of Adriatic Shares under the CREST system. Accordingly, settlement of transactions in respect of the Consideration Shares may take place within CREST. Where Tethyan Shares are currently registered in the name of a nominee such as CDS or DTC, brokers, investment dealers and other intermediaries are advised that in order to have the Adriatic Shares that the Non-Registered Tethyan Shareholder is entitled to receive pursuant to the Arrangement deposited into CREST, such intermediary must make arrangements with a CREST participant to deposit such Adriatic Shares into CREST in accordance with the procedures set forth in the CREST manual. As the procedures for depositing Adriatic Shares into CREST may vary between individual CREST participants, brokers, investment dealers and other intermediaries are encouraged to seek advice from their CREST participant with respect to the process to be followed for depositing such Adriatic Shares into CREST. The Depositary will not be involved in facilitating this process. Failure to provide accurate information to the Depositary or providing incomplete or inaccurate information will result in delays in the receipt of Adriatic Shares by such Non-Registered Tethyan Shareholders.

In the event of any interruption, failure or breakdown of CREST or the facilities and/or systems operated by Computershare UK or in the event that improper or incomplete CREST details are provided, Adriatic Shares issued in connection with the Arrangement will remain in certificated form.

NON-REGISTERED TETHYAN SHAREHOLDERS SHOULD CONTACT THEIR BROKER, INVESTMENT DEALER OR OTHER INTERMEDIARY TO CONFIRM THAT THEIR BROKER, INVESTMENT DEALER OR OTHER INTERMEDIARY HAS MADE ARRANGEMENTS TO RECEIVE THE NUMBER OF ADRIATIC SHARES REQUIRED TO SATISFY THE CONSIDERATION SHARES PAYABLE TO SUCH NON-REGISTERED TETHYAN SHAREHOLDER PURSUANT TO THE ARRANGEMENT INCLUDING, AS APPLICABLE, TO DEPOSIT ADRIATIC SHARES INTO CREST VIA THE CCSS SERVICE. THE DEPOSITARY WILL NOT BE INVOLVED IN FACILITATING THIS PROCESS.

Cancellation of Rights after Six Years

To the extent that a Former Tethyan Shareholder has not complied with the provisions of the Arrangement described under the heading "*Procedure for Exchange of Tethyan Shares*" in this Circular on or before the date that is six years after the Effective Date (the "**Final Proscription Date**"), then any Consideration Shares which such Former Tethyan Shareholder was entitled to receive shall be automatically cancelled without any repayment of capital in respect thereof and the certificates representing such Consideration Shares shall be delivered to Adriatic by the Depositary for cancellation and shall be cancelled by Adriatic, and the interest of the Former Tethyan Shareholder in such Consideration Shares to which it was otherwise entitled shall be terminated as of the Final Proscription Date.

Fractional Interest

In no event shall any holder of Tethyan Shares be entitled to a fractional Consideration Share. Where the aggregate number of Consideration Shares to be issued to a Former Tethyan Shareholder as consideration under this Arrangement would result in a fraction of an Adriatic Share being issuable, the number of Consideration Shares to be received by such Tethyan Shareholder shall be rounded down to the nearest whole Adriatic Share.

The foregoing information is a summary only. For further details of procedures, see the Plan of Arrangement attached as Schedule "B" to this Circular.

Withholding Rights

Tethyan, Adriatic and the Depositary will be entitled to deduct and withhold from any consideration otherwise payable to any Former Tethyan Shareholder under the Plan of Arrangement (including any payment to Dissenting Shareholders) such amounts as Tethyan, Adriatic or the Depositary is required to deduct and withhold with respect to such payment under any provision of applicable Laws in respect of taxes. To the extent that such amounts are so deducted, withheld and remitted, such amounts shall be treated for all purposes as having been paid to the person to

whom such amounts would otherwise have been paid. To the extent necessary, such deductions and withholdings may be effected by selling any Adriatic Shares to which any such person may otherwise be entitled hereunder, and any amount remaining following the sale, deduction and remittance shall be paid to the person entitled thereto as soon as reasonably practicable.

Replacement Options and Replacement Warrants

After the Effective Date, certificates representing Tethyan Options and Tethyan Warrants will represent only the right to receive a certificate representing the number of Replacement Options and Replacement Warrants to which a holder of the Tethyan Options or Tethyan Warrants may be entitled to in accordance with the Plan of Arrangement. Adriatic will deliver certificates representing the Replacement Options and Replacement Warrants to the holders thereof at their address on record with Tethyan following the Effective Date.

SECURITIES LAWS AND STOCK EXCHANGE MATTERS

Canadian Securities Laws

Reporting Status and Listing

Tethyan is a reporting issuer in British Columbia and Alberta. The Tethyan Shares currently trade on the TSXV. After the Arrangement, Tethyan will be a wholly-owned subsidiary of Adriatic, the Tethyan Shares will be delisted from the TSXV and Adriatic expects to apply to the applicable Canadian securities regulators to have Tethyan cease to be a reporting issuer.

As a result of the Arrangement, Adriatic will become a reporting issuer in British Columbia and Alberta. However, if, upon completion of the Arrangement and on a fully-diluted basis, 10% or fewer of the Adriatic Shares are owned directly or indirectly by residents in Canada, Adriatic will be permitted under NI 71-102 to report in Canada as a “designated foreign issuer”. Currently, it is expected that Adriatic will qualify as a “designated foreign issuer” on completion of the Arrangement. If Adriatic does not so qualify, Adriatic intends to apply to the British Columbia Securities Commission for exemptive relief so that it is permitted to report as a “designated foreign issuer”. As a “designated foreign issuer”, Adriatic will be exempt from most of the continuous disclosure requirements of Canadian securities legislation provided that it complies with the continuous disclosure requirements of Australia and the United Kingdom. As such, upon completion of the Arrangement, the continuous disclosure documents filed by Adriatic may not be comparable to most Canadian reporting issuers that do not rely upon such exemption.

In addition, while the Adriatic Shares will be listed on the LSE, they will not be listed on any stock exchange in Canada.

Resale of Consideration Shares Received Under the Arrangement

The issuance of Consideration Shares pursuant to the Arrangement will constitute distributions of securities that are exempt from the prospectus requirements of applicable Canadian Securities Laws. Consideration Shares issued pursuant to the Arrangement may be resold in each province and territory of Canada, provided: (i) that Adriatic is a reporting issuer in a jurisdiction of Canada for the four months immediately preceding the trade (which calculation of time may include the time Tethyan was a reporting issuer prior to the Arrangement); (ii) the trade is not a “control distribution” as defined in NI 45-102; (iii) no unusual effort is made to prepare the market or create a demand for those securities; (iv) no extraordinary commission or consideration is paid in respect of that trade; and (v) if the selling security holder is an “insider” or “officer” of Adriatic (as such terms are defined by applicable Canadian Securities Laws), the insider or officer has no reasonable grounds to believe that Adriatic is in default of applicable Canadian Securities Laws.

Each Tethyan Shareholder is urged to consult such shareholder’s professional advisors to determine the Canadian conditions and restrictions applicable to trades in the Adriatic Shares issuable pursuant to the Arrangement.

To the extent that a Tethyan Shareholder resides in a non-Canadian jurisdiction, the Consideration Shares received by such shareholder may be subject to certain additional trading restrictions under applicable securities Laws. All Tethyan Shareholders residing outside Canada and the United States are advised to consult their own legal advisors regarding such resale restrictions.

Exemption Order

Adriatic is a company incorporated under the laws of England and Wales and is not a reporting issuer in any Canadian jurisdiction. Adriatic is subject to the ongoing reporting requirements of the LSE and the ASE. Pursuant to these requirements, Adriatic is required to publish its financial results on a semi-annual basis, not on a quarterly basis.

Adriatic's most recently prepared interim financial statements, the Adriatic Half-Year Financial Statements, are for the six-month period ended December 31, 2019, with comparatives for the corresponding period in the immediately preceding financial year. Canadian Securities Laws require this Circular to contain, for Adriatic, certain disclosure and financial statements, including an interim financial report for the nine-month interim period ended March 31, 2020, with comparative financial information for the corresponding period in the immediately preceding financial year, and the associated management's discussion and analysis. Tethyan applied for an exemption from this requirement, and on June 24, 2020, the British Columbia Securities Commission, on its own behalf and on behalf of the Alberta Securities Commission, granted Tethyan the exemption, provided that the Circular:

- (a) includes: (i) the Adriatic Annual Financial Statements, (ii) the Adriatic Half-Year Financial Statements, (iii) a pro forma statement of financial position of Adriatic as at December 31, 2019 that gives effect to the Arrangement as at December 31, 2019, and pro forma income statements of Adriatic for the most recent annual and interim periods for which Adriatic financial statements are included in the Circular that give effect to the Arrangement as at the beginning of the year ended June 30, 2019; and (iv) management's discussion & analysis for the years ended June 30, 2019 and 2018 and the six-month period ended December 31, 2019;
- (b) otherwise complies with the requirements of Form 51-102F5 – *Information Circular* and contains disclosure of any material changes in the affairs of Adriatic which occur between the date of the interim financial statements for the six-month period ended December 31, 2019 and the date of the Circular; and
- (c) is prepared, sent to the Tethyan Shareholders, and filed on SEDAR prior to September 28, 2020.

U.S. Securities Laws

The following discussion is only a general overview of certain requirements of U.S. Securities Laws that may be applicable to Tethyan Shareholders. All holders of Tethyan Shares are urged to obtain legal advice to ensure that their resale of Adriatic Shares complies with applicable U.S. Securities Laws. Further information applicable to the holders of such securities resident in the U.S. is disclosed in this Circular under the heading "Note to U.S. Securityholders".

Exemption from U.S. Registration

The Consideration Shares to be issued under the Arrangement have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the U.S. and will be issued in reliance upon the exemption from registration provided by Section 3(a)(10) of the U.S. Securities Act and exemptions provided in respect of the securities laws of states of the U.S. in which U.S. Tethyan Shareholders reside. Section 3(a)(10) of the U.S. Securities Act exempts from registration a security that is issued in exchange for outstanding securities and other property where the terms and conditions of such issuance and exchange are approved, after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange have the right to appear, by a court or by a governmental authority expressly authorized by law to grant such approval. Accordingly, the Final Order of the Court will, if granted, constitute the basis for the exemption under Section 3(a)(10) from the registration requirements of the U.S. Securities Act with respect to the securities to be issued under the Arrangement.

Exercise of Replacement Options and Replacement Warrants after the Effective Date

Section 3(a)(10) of the U.S. Securities Act does not exempt the issuance of securities upon the exercise of securities that were previously issued pursuant to Section 3(a)(10) of the U.S. Securities Act. Therefore, the Replacement Options and Replacement Warrants may be exercised only pursuant to an available exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. Prior to the issuance of Adriatic Shares pursuant to the exercise of Replacement Options or Replacement Warrants, as applicable, Adriatic may require the delivery of an opinion of counsel or other evidence reasonably satisfactory to Adriatic to the effect that the issuance of such Adriatic Shares does not require registration under the U.S. Securities Act or applicable state securities laws. You should consult legal counsel or your investment advisor prior to exercising the Replacement Options or Replacement Warrants in the United States.

The Adriatic Shares issuable upon the exercise of the Replacement Options and Replacement Warrants in the United States, or for the account or benefit of a U.S. person or a person in the United States, will be “restricted securities” within the meaning of Rule 144 under the U.S. Securities Act. Certificates representing such Adriatic Shares will bear a legend in connection with their status as restricted securities, and may be issued only pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws, after providing an opinion of counsel of recognized standing to such effect in form and substance reasonably satisfactory to Adriatic.

Resale of Consideration Shares Received Under the Arrangement

Tethyan Shareholders who, after completion of the Arrangement, are not “affiliates” (as defined in Rule 144 under the U.S. Securities Act) of Adriatic and were not, at any time within the 90 days immediately before a resale of any Consideration Shares received under the Arrangement, an “affiliate” of Adriatic, may resell such Consideration Shares within or outside the U.S. without restriction under the U.S. Securities Act.

Any Tethyan Shareholder who, after consummation of the Arrangement is an “affiliate” (as defined in Rule 144 under the U.S. Securities Act) of Adriatic or was, at any time during the 90 days immediately before the resale of any Consideration Shares received under the Arrangement, an “affiliate” of Adriatic may not resell such Consideration Shares, unless such securities are registered under the U.S. Securities Act or an exemption from registration, such as the exemptions contained in Rule 144 and Rule 904 of Regulation S under the U.S. Securities Act, is available.

In general, pursuant to Rule 904 of Regulation S under the U.S. Securities Act, persons who are affiliates of Adriatic solely by virtue of their status as an officer or director of such company may sell Consideration Shares outside the U.S. in an “offshore transaction” (which would include a sale through the LSE) if neither the seller nor any person acting on its behalf engages in “directed selling efforts” in the U.S. and no selling commission, fee or other remuneration is paid in connection with such sale other than a usual and customary broker’s commission. For purposes of Regulation S, “directed selling efforts” means, “any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the U.S. for any of the securities being offered” in the sale transaction. Pursuant to Rule 903 of Regulation S, certain additional restrictions are applicable to a holder of Consideration Shares who is an affiliate of Adriatic after the Arrangement other than solely by virtue of his or her status as an officer or director of Adriatic.

U.K. Securities Laws

Each Tethyan Shareholder is urged to consult such shareholder’s professional advisors to determine the conditions and restrictions in the United Kingdom applicable to trades in the Adriatic Shares issuable pursuant to the Arrangement.

Resale of Consideration Shares Received Under the Arrangement

Consideration Shares to be issued to Tethyan Shareholders pursuant to the Arrangement may be resold by the holder thereof in the United Kingdom without restriction, subject to the provisions of the Companies Act 1985, as amended, the Companies Act and the memorandum and articles of association of Adriatic.

Stock Exchange Approvals

The Tethyan Shares are listed and posted for trading on the TSXV and the Adriatic Shares are listed and posted for trading on the LSE and ASX.

Adriatic will make an application for the Consideration Shares to be admitted to the Standard Segment of the Official List of the FCA and it is a condition of the Arrangement that all requirements of the FCA pursuant to the LSE Listing Rules (made by the FCA pursuant to Section 74 of the *Financial Services and Markets Act 2000* (as amended)) shall have been satisfied.

Application will also be made for the Consideration Shares to be admitted to trading on the LSE's main market for listed securities in accordance with the Admission and Disclosure Standards of the LSE and it is a condition of the Arrangement that all requirements of the LSE for such admission of the Consideration Shares to trading on the LSE's main market for listed securities shall have been satisfied.

It is also a condition of the Arrangement that any required approval of the ASX shall have been received.

Tethyan has made application to the TSXV for the approval of the Arrangement and the corresponding delisting of the Tethyan Shares from the TSXV upon completion of the Arrangement. The Arrangement remains subject to the final approval of the TSXV. Tethyan received conditional acceptance to the Arrangement from the TSXV on July 7, 2020.

INTERESTS OF DIRECTORS AND OFFICERS IN THE ARRANGEMENT

In considering the recommendation of the Tethyan Board, Tethyan Shareholders should be aware that members of the Tethyan Board and the executive officers of Tethyan may have interests in the Arrangement or may receive benefits that may differ from, or be in addition to, the interests of Tethyan Shareholders generally. These interests and benefits are described below.

Insurance for Directors and Officers

Adriatic has agreed that, for the period from the Effective Date until six years after the Effective Date, Adriatic will cause Tethyan or any successor to Tethyan (including the successor resulting from the winding-up or liquidation or dissolution of Tethyan) to maintain Tethyan's current directors' and officers' insurance policy or an equivalent policy subject in either case to terms and conditions no less advantageous to the directors and officers of Tethyan than those contained in the policy in effect on the date hereof, for all present and former directors and officers of Tethyan, covering claims made prior to or within six years after the Effective Date. Adriatic also agreed that after the expiration of such six-year period, if there is no cost in doing so, it will use commercially reasonable efforts to cause such directors and officers to be covered under Adriatic's then existing directors' and officers' insurance policy, if any.

Interested Directors and Executive Officers

The directors and executive officers of Tethyan hold, in the aggregate, 12,198,131 Tethyan Shares, representing approximately 15.9% of the Tethyan Shares as of the Record Date. The directors and executive officers hold, in the aggregate, 1,900,000 Tethyan Options and 525,000 Tethyan Warrants, as of the Record Date. All of the Tethyan Shares held by the directors and executive officers of Tethyan will be treated in the same fashion under the Arrangement as Tethyan Shares held by every other Tethyan Shareholder.

The executive officers of Tethyan have agreed to enter into amended management agreements or termination agreements with Tethyan in connection with the Arrangement.

Fabian Baker, the President and Chief Executive Officer of Tethyan, has entered into a term sheet with Tethyan and Tethyan Resources Jersey Ltd. pursuant to which Mr. Baker will join the Combined Company as Corporate Development Manager of Adriatic. Mr. Baker has agreed to waive severance and change of control benefits that would otherwise be payable upon completion of the Arrangement. Pursuant to the term sheet, Mr. Baker will continue to

receive a base salary of £150,000, and upon execution of an employment agreement with Adriatic, he will receive: (i) a signing bonus of £15,000; and (ii) 250,000 performance rights granted by Adriatic pursuant and subject to the terms of Adriatic's New Employees and Consultants Employee Share Option Plan. Mr. Baker's employment agreement will contain a provision which provides for a cash payment of six (6) months base salary in the event of termination without cause, unless such termination occurs within six (6) months of the Effective Time, in which case the cash payment will be an amount equal to the salary that would have otherwise been due to Mr. Baker for the time between the date of termination without cause and the date which is 12 months after the Effective Time. The employment agreement will also contain a clause which provides for a payment equal to 1.5 times Mr. Baker's annual salary if Mr. Baker is terminated or resigns following a change of control of Adriatic.

Edward Boney, the Chief Financial Officer of Tethyan, has entered into a termination agreement with Tethyan and 688284 B.C. Ltd. pursuant to which Mr. Boney will resign as Chief Financial Officer of Tethyan at the Effective Time. Pursuant to the termination agreement, Mr. Boney's base salary was increased to \$210,000 from \$190,000 effective June 1, 2020, and Mr. Boney has agreed to waive any rights he had pursuant to the severance and change of control provisions contained in his employment agreement with Tethyan. Mr. Boney will be compensated for a period of 12 months following the Effective Time, the first two months of which he will perform his duties and assist Adriatic and Tethyan with the transition of ownership of Tethyan to Adriatic, then will make himself available to assist for a further six months, and then will receive a lump sum payout for the remaining four months.

Susy Horna, the Corporate Secretary of Tethyan, has entered into a termination agreement with Tethyan and 688284 B.C. Ltd. pursuant to which Ms. Horna's employment with Tethyan will be terminated at the Effective Time. Ms. Horna has agreed to waive any rights she had pursuant to the severance and change of control provisions contained in her employment agreement with Tethyan, and will receive a lump sum payment of \$30,000 at the Effective Time.

The payments disclosed above are not "collateral benefits" as defined under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions Interests* ("MI 61-101"), and therefore disinterested shareholder approval to the Arrangement Resolution is not required under MI 61-101.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act in respect of the Arrangement that are generally applicable to a beneficial owner of Tethyan Shares who at all relevant times and for purposes of the Tax Act: (a) deals at arm's length with Tethyan and Adriatic; (b) is not and will not be affiliated with Tethyan or Adriatic; and (c) holds Tethyan Shares and will hold Adriatic Shares received pursuant to the Arrangement as capital property (each such owner in this section, a "**Holder**").

The Tethyan Shares and Adriatic Shares generally will be considered capital property to a Holder for purposes of the Tax Act unless the Holder holds such shares in the course of carrying on a business of buying and selling securities or the Holder has acquired or holds such shares in a transaction or transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to Persons holding Tethyan Options, Tethyan Warrants, or other conversion or exchange rights to acquire Tethyan Shares, and the tax considerations relevant to such holders are not discussed herein. Any such Persons referenced above should consult their own tax advisor with respect to the tax consequences of the Arrangement.

In addition, this summary is not applicable to a Holder: (a) that is a “financial institution” (as defined in the Tax Act for the purposes of the “mark-to-market rules”); (b) that is a “specified financial institution” (as defined in the Tax Act); (c) an interest in which is, or whose Tethyan Shares are, a “tax shelter investment” (as defined in the Tax Act); (d) who makes, or has made, a “functional currency” election under section 261 of the Tax Act; (e) that is a “foreign affiliate” (as defined in the Tax Act) of a taxpayer resident in Canada; (f) who acquired Tethyan Shares under an employee stock option plan or other equity based employment compensation arrangement; (g) that has entered into or will enter into a “synthetic disposition agreement”, or a “derivative forward agreement”, as defined in the Tax Act with respect to Tethyan Shares or Adriatic Shares; (h) if Adriatic is at any time a “foreign affiliate” (as defined in the Tax Act) of such Tethyan Shareholder or of another corporation that does not deal at arm’s length with the Tethyan Shareholder for the purposes of the Tax Act; or (i) that receives dividends on its Adriatic Shares under or as part of a “dividend rental arrangement” (as defined in the Tax Act). **Such Tethyan Shareholders should consult their own tax advisors.**

This summary is based on the current provisions of the Tax Act in force as of the date hereof, the regulations thereunder, and counsel’s understanding of the current published administrative policies and assessing practices of the CRA publicly available prior to the date hereof. This summary also takes into account all specific proposals to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”) and assumes that the Proposed Amendments will be enacted in the form proposed. No assurance can be given that the Proposed Amendments will be enacted in the form proposed, or at all. Except for the Proposed Amendments, this summary does not otherwise take into account or anticipate any other changes in Law, whether by judicial, governmental or legislative decision or action or changes in the administrative policies or assessing practices of the CRA, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax considerations discussed below.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations. This summary is not, and should not be construed as, legal, business or tax advice to any particular Holder and no representation with respect to the tax consequences to any particular Holder is made. Accordingly, all Holders should consult their own tax advisors regarding the Canadian federal income tax consequences of the Arrangement applicable to their particular circumstances, and any other consequences to them of such transactions under Canadian federal, provincial, local and foreign tax Laws.

Currency Conversion

Subject to certain exceptions that are not discussed herein, for the purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of securities (including dividends, adjusted cost base and proceeds of disposition) must be expressed in Canadian dollars. Amounts denominated in Sterling must be converted into Canadian dollars, generally based on the Bank of Canada spot exchange rate on the date such amounts arise or such other rate of exchange as is acceptable to the Minister of National Revenue (Canada).

Holders Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the application of the Tax Act and any applicable income tax treaty: (i) is, or is deemed to be, resident in Canada; and (ii) is not exempt from tax under Part I of the Tax Act (a “**Resident Holder**”).

Certain Resident Holders whose Tethyan Shares might not otherwise qualify as capital property may, in certain circumstances, be eligible to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have their Tethyan Shares (but not Adriatic Shares), and every other “Canadian security” (as defined in the Tax Act) owned by such Resident Holders in the taxation year in which the election is made and in all subsequent taxation years, be deemed to be capital property. Resident Holders should consult their own tax advisors as to whether they hold or will hold their Tethyan Shares and Adriatic Shares as capital property and whether such election can or should be made in respect of their Tethyan Shares.

Disposition of Tethyan Shares Pursuant to the Arrangement

A Resident Holder (other than a Resident Dissenter) who disposes of Tethyan Shares to Adriatic under the Arrangement will be considered to have disposed of each Tethyan Share for proceeds of disposition equal to the aggregate fair market value at the Effective Time of the Consideration Shares received by the Resident Holder in consideration for each such Tethyan Share. As a result, the Resident Holder will generally realize a capital gain (or a capital loss) to the extent that such proceeds of disposition exceed (or are less than) the aggregate of the Resident Holder's adjusted cost base of the Tethyan Share immediately before the time of disposition and any reasonable costs of disposition. See "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*" below.

The cost to a Resident Holder of each Consideration Share acquired under the Arrangement will be equal to the fair market value of such Consideration Share at the time of acquisition. For the purpose of determining the adjusted cost base of a Consideration Share to a Resident Holder, when a Consideration Share is acquired, the cost of the newly acquired Consideration Share will be averaged with the adjusted cost base of all identical Adriatic Shares owned by the Resident Holder as capital property immediately before that acquisition.

Dividends on Adriatic Shares

A Resident Holder will be required to include in computing income for a taxation year the amount of dividends, if any, received or deemed to be received in respect of Adriatic Shares, including amounts withheld for foreign withholding tax, if any. For individuals (including a trust), such dividends will not be subject to the gross-up and dividend tax credit rules under the Tax Act normally applicable to taxable dividends received by an individual from a taxable Canadian corporation. A Resident Holder that is a corporation will generally not be entitled to deduct the amount of such dividends in computing its taxable income.

Subject to the detailed rules in the Tax Act, a Resident Holder may be entitled to a foreign tax credit or deduction for any foreign withholding tax paid with respect to dividends received by the Resident Holder on the Adriatic Shares. Resident Holders should consult their own tax advisors with respect to the availability of a foreign tax credit or deduction having regard to their own particular circumstances.

Disposition of Adriatic Shares

A Resident Holder that disposes of, or is deemed to dispose of, an Adriatic Share in a taxation year will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Adriatic Share exceeds (or is exceeded by) the aggregate of the Resident Holder's adjusted cost base of such Adriatic Share immediately before the disposition and any reasonable costs of disposition. The Resident Holder will be required to include any resulting taxable capital gain in income, or be entitled to deduct any resulting allowable capital loss, generally in accordance with the usual rules applicable to capital gains and capital losses. See "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*" below.

Taxation of Capital Gains and Capital Losses

Generally, a Resident Holder will be required to include in computing income for a taxation year one-half of the amount of any capital gain (a "**taxable capital gain**") realized in that year. A Resident Holder will generally be entitled to deduct one half of the amount of any capital loss (an "**allowable capital loss**") realized in a taxation year from taxable capital gains realized by the Resident Holder in that taxation year. Allowable capital losses in excess of taxable capital gains for a taxation year may be carried back to any of the three preceding taxation years or carried forward to any subsequent taxation year and deducted against net taxable capital gains realized in such years, subject to the detailed rules contained in the Tax Act.

A capital loss realized on the disposition of Tethyan Shares by a Resident Holder that is a corporation may, to the extent and under the circumstances specified by the Tax Act, be reduced by the amount of dividends received or deemed to have been received by the corporation on such shares (or on a share for which such share is substituted or exchanged). Similar rules may apply where shares are owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Resident Holders to whom these rules may be relevant should consult their own advisors.

Resident Holders should also note the comments under “*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Alternative Minimum Tax*” and “*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Additional Refundable Tax on Canadian-Controlled Private Corporations*” below.

Alternative Minimum Tax

A capital gain realized by a Resident Holder who is an individual (including certain trusts) may give rise to liability for alternative minimum tax under the Tax Act.

Additional Refundable Tax on Canadian-Controlled Private Corporations

A Resident Holder that is a “Canadian-controlled private corporation” (as defined in the Tax Act) may be required to pay an additional tax (refundable in certain circumstances) on certain investment income, which includes taxable capital gains, dividends or deemed dividends not deductible in computing taxable income and interest.

Foreign Property Information Reporting

Generally, a Resident Holder that is a “specified Canadian entity” (as defined in the Tax Act) for a taxation year or a fiscal period and whose total “cost amount” of “specified foreign property” (as such terms are defined in the Tax Act), including the Adriatic Shares, at any time in the year or fiscal period exceeds C\$100,000 will be required to file an information return with the CRA for the year or period disclosing prescribed information. Subject to certain exceptions, a Resident Holder generally will be a specified Canadian entity. The Adriatic Shares will be “specified foreign property” of a Resident Holder for these purposes. Resident Holders should consult their own tax advisors regarding compliance with these reporting requirements.

Offshore Investment Fund Property Rules

The Tax Act contains rules which, in certain circumstances, may require a Resident Holder to include an amount in income in each taxation year in respect of the acquisition and holding of Adriatic Shares if (1) the value of such shares may reasonably be considered to be derived, directly or indirectly, primarily from certain portfolio investments described in paragraph 94.1(1)(b) of the Tax Act and (2) it may reasonably be concluded, having regard to all the circumstances, that one of the main reasons for the Resident Holder acquiring or holding the Adriatic Shares was to derive a benefit from portfolio investments in such a manner that the taxes, if any, on the income, profits and gains from such portfolio investments for any particular year are significantly less than the tax that would have been applicable under Part I of the Tax Act if the income, profits and gains had been earned directly by the Resident Holder.

These rules are complex and their application and consequences depend, to a large extent, on the reasons for a Resident Holder acquiring or holding Adriatic Shares.

Eligibility for Investment by Registered Plans

Based on the current provisions of the Tax Act in force as of the date hereof, Adriatic Shares will be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan, a registered disability savings plan and a tax-free savings account, each as defined in the Tax Act (“**Registered Plans**”) and a deferred profit sharing plan, if the Adriatic Shares are listed on a designated stock exchange for purposes of the Tax Act (which currently includes the LSE) at the Effective Time of the Arrangement.

Notwithstanding that Adriatic Shares may be qualified investments for a Registered Plan, a beneficiary, annuitant, or subscriber, as the case may be, (each a “**Plan Holder**”), will be subject to a penalty tax on such shares if such shares are a “prohibited investment” for the Registered Plan. Adriatic Shares will generally be a “prohibited investment” if the Plan Holder does not deal at arm’s length with Adriatic for purposes of the Tax Act and has a “significant interest” (as defined in the Tax Act) in Adriatic. Plan Holders are advised to consult their own tax advisors with respect to whether Adriatic Shares are “prohibited investments” in their particular circumstances and the tax consequences of Adriatic Shares being acquired or held by a Registered Plan.

Dissenting Resident Holders

A Resident Holder who validly exercises Dissent Rights (a “**Resident Dissenter**”) and consequently is paid the fair value of a Tethyan Share in consideration for the Tethyan Share in accordance with the Arrangement will realize a capital gain (or a capital loss) equal to the amount by which the payment (other than any interest) exceeds (or is exceeded by) the aggregate of the Resident Holder’s adjusted cost base of the Tethyan Share determined immediately before the Effective Time and any reasonable costs of disposition. The Resident Dissenter will be required to include any resulting taxable capital gain in income, or be entitled to deduct any resulting allowable capital loss, generally in accordance with the usual rules applicable to capital gains and losses. See “*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*” above.

A Resident Dissenter must include in computing its income any interest awarded to it by a court.

Holders Not Resident in Canada

The following portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty, is neither resident nor deemed to be resident in Canada, and does not use or hold, and is not deemed to use or hold, Tethyan Shares in connection with carrying on a business in Canada (a “**Non-Resident Holder**”). This part of the summary is not applicable to Non-Resident Holders that are insurers carrying on an insurance business in Canada and elsewhere or an “authorized foreign bank” (as defined in the Tax Act).

Disposition of Tethyan Shares Pursuant to the Arrangement

A Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain realized on the disposition of Tethyan Shares under the Arrangement unless the Tethyan Shares are “taxable Canadian property” and are not “treaty-protected property” to the Non-Resident Holder.

Generally, a Tethyan Share will not be taxable Canadian property of a Non-Resident Holder at a particular time provided that the share is listed on a “designated stock exchange” (which currently includes the LSE) unless, at any time during the 60-month period immediately preceding the disposition: (a) the Non-Resident Holder, any one or more other Persons with whom the Non-Resident Holder does not deal at arm’s length, any partnership in which the Non-Resident Holder or a non-arm’s length Person holds a membership interest directly or indirectly through one or more partnerships, or the Non-Resident Holder together with such Persons or partnerships, held 25% or more of the issued shares of any class or series in the capital of Tethyan; and (b) more than 50% of the fair market value of the share was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, “Canadian resource properties” or “timber resource properties”, (both as defined in the Tax Act), and options in respect of, or interests in, or for civil law rights in, any such properties (whether or not such property exists).

Notwithstanding the foregoing, in certain other circumstances a Tethyan Share could be deemed to be taxable Canadian property for the purposes of the Tax Act. Non-Resident Holders should consult their own tax advisors in this regard.

Even if the Tethyan Shares are taxable Canadian property to a Non-Resident Holder, a taxable capital gain resulting from the disposition of the Tethyan Shares will not be included in computing the Non-Resident Holder’s taxable income earned in Canada for the purposes of the Tax Act if, at the time of the disposition, the Tethyan Shares constitute “treaty protected property” of the Non-Resident Holder for purposes of the Tax Act. Tethyan Shares will generally be

considered “treaty-protected property” of a Non-Resident Holder for purposes of the Tax Act at the time of the disposition if the gain from their disposition would, because of an applicable income tax treaty between Canada and the country in which the Non-Resident Holder is resident for purposes of such treaty and in respect of which the Non-Resident Holder is entitled to receive benefits thereunder, be exempt from tax under the Tax Act.

In the event that the Tethyan Shares constitute taxable Canadian property and are not treaty-protected property to a particular Non-Resident Holder, the Non-Resident Holder will realize a capital gain (or capital loss) generally in the circumstances as described under “*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Disposition of Tethyan Shares Pursuant to the Arrangement*” and “*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*” above. A Non-Resident Holder who disposes of taxable Canadian property that is not treaty-protected property may have to file a Canadian income tax return for the year in which the disposition occurs, regardless of whether the Non-Resident Holder is liable for Canadian tax on any gain realized as a result.

Non-Resident Holders whose Tethyan Shares are taxable Canadian property should consult their own tax advisors for advice having regard to their particular circumstances, including whether their Tethyan Shares constitute treaty-protected property.

Dissenting Non-Resident Holders

A Non-Resident Holder that validly exercises Dissent Rights (a “**Non-Resident Dissenter**”) and consequently is paid the fair value for the Non-Resident Dissenter’s Tethyan Shares will generally realize a capital gain or capital loss as discussed under “*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Dissenting Resident Holders*” above. Also as discussed above under “*Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada – Disposition of Tethyan Shares Pursuant to the Arrangement*”, any resulting capital gain would only be subject to tax under the Tax Act if the Tethyan Shares are taxable Canadian property to the Non-Resident Holder at the Effective Time and are not treaty-protected property of the Non-Resident Holder at that time.

Generally, an amount paid in respect of interest awarded by the court to a Non-Resident Dissenter will not be subject to Canadian income or withholding tax under the Tax Act.

Dividends on Adriatic Shares

Dividends paid on Adriatic Shares to a Non-Resident Holder will not be subject to Canadian withholding tax or other income tax under the Tax Act.

Dispositions of Adriatic Shares

No tax will be payable under the Tax Act by a Non-Resident Holder of Adriatic Shares on any capital gain realized on the future disposition or deemed disposition of Adriatic Shares unless such Adriatic Shares are or are deemed to be “taxable Canadian property”, as discussed above, to the Non-Resident Holder at the time of disposition or deemed disposition and do not constitute “treaty-protected property”, as defined in the Tax Act. See “*Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada – Disposition of Tethyan Shares Pursuant to the Arrangement*” above.

OTHER INCOME TAX CONSIDERATIONS

This Circular does not contain any discussion as to the application of the United States or United Kingdom income tax Laws, or the income tax Laws of any other jurisdiction, to the exchange of Tethyan Shares for Adriatic Shares, Tethyan Options for Replacement Options, or Tethyan Warrants for Replacement Warrants, as contemplated by the Arrangement. Accordingly, holders of Tethyan Shares, Tethyan Options or Tethyan Warrants resident outside of Canada should consult their own tax advisers for advice with respect to the tax implications of the Arrangement, including any associated filing requirements, in their jurisdiction to an exchange of their securities.

RISK FACTORS

The following risk factors, which relate to the Arrangement and the Combined Company, should be considered by the Tethyan Shareholders in evaluating whether to approve the Arrangement Resolution. These risk factors should be considered in conjunction with the risks described in Schedule "F" and Schedule "G" of this Circular, as well as Tethyan's filings with the Securities Authorities, which are available under Tethyan's issuer profile on SEDAR at www.sedar.com, together with the other information contained in or incorporated by reference into this Circular.

Risks Relating to the Arrangement

Because the market price of the Adriatic Shares and Tethyan Shares will fluctuate and the Exchange Ratio for the Consideration Shares is fixed, Tethyan Shareholders cannot be certain of the market value of the Consideration Shares they will receive for their Tethyan Shares under the Arrangement.

The Exchange Ratio for the Consideration Shares is fixed and will not increase or decrease due to fluctuations in the market price of Adriatic Shares or the Tethyan Shares. The market price of Adriatic Shares or Tethyan Shares could each fluctuate significantly prior to the Effective Date in response to various factors and events, including, without limitation, the differences between Adriatic's and Tethyan's actual financial or operating results and those expected by investors and analysts, changes in analysts' projections or recommendations, changes in general economic or market conditions and broad market fluctuations. Historical market prices are not indicative of future market prices or the market value of the Adriatic Shares that Tethyan Shareholders will receive on the Effective Date. There can be no assurance that the market value of any Adriatic Shares and thus the Consideration Shares that the holders of Tethyan Shares will receive on the Effective Date will equal or exceed the market value of the Tethyan Shares held by such Tethyan Shareholders on the Effective Date. There can also be no assurance that the trading price of the Adriatic Shares will not decline following the completion of the Arrangement.

There can be no certainty that all conditions precedent to the Arrangement will be satisfied or waived. Failure to complete the Arrangement could negatively impact the market price of Tethyan Shares.

The Arrangement is subject to certain conditions that may be outside the control of the Parties, including, without limitation, the receipt of the Final Order, the approval of the Arrangement Resolution by the Tethyan Shareholders, the requisite approvals of the TSXV, FCA, LSE and ASX, as well as the completion of the EFPP Spin-Off Transaction. The EFPP Spin-Off Transaction involves, among other things, the transfer of EFPP's exploration licenses to a newly formed entity with the same ownership structure as EFPP and such transfers are subject to the completion of requisite filings with applicable government authorities as well as the recording and approval of such transfer by such authorities.

There can be no certainty, nor can any Party provide any assurance, that the conditions to the completion of the Arrangement, including the receipt of approvals and satisfaction of the EFPP Spin-Off Transaction condition, will be satisfied or waived as contemplated or at all.

If the Arrangement is not completed as contemplated, the market price of the Tethyan Shares may decline to the extent that the market price reflects a market assumption that the Arrangement will be completed. If the Arrangement is not completed and the Adriatic Board or the Tethyan Board, as the case may be, decides to seek another merger or business combination, there can be no assurance that Tethyan will be able to find a party willing to pay an equivalent or more attractive price than the consideration payable pursuant to the Arrangement or that Tethyan will be able to undertake a business combination on equivalent or more attractive terms than those in the Arrangement Agreement.

If the Arrangement is not completed, Tethyan will incur significant costs and will require additional capital.

If the Arrangement Agreement is terminated in certain circumstances, Tethyan may be required to pay to Adriatic the Adriatic Termination Fee and cover Adriatic's expenses of up to \$150,000, and amounts due under the Loan Agreement may become immediately due and payable. In addition, Tethyan will still be required to pay its own legal, accounting and other fees and expenses related to the Arrangement. Tethyan will require additional financing in order to repay the Loan and pay the Adriatic Termination Fee and expenses. There is no guarantee that such financing will be available on terms acceptable to Tethyan or at all.

In addition, Tethyan's ability to continue as a junior exploration company and discharge its obligations will require additional financing, and Tethyan may be unable to access capital. Tethyan's business, financial condition and results of operations may be adversely affected by various economic factors, including economic downturns and adverse conditions in the financial markets. As result of Tethyan's difficulty in raising capital in challenging market conditions certain projects could be placed on care and maintenance for an indefinite period of time or Tethyan may be unable to pay fees required to maintain its exploration licenses, leading to the loss of those licenses. In addition, without additional capital, Tethyan would be unable to complete the acquisition of EFPP, forfeiting its current ownership interest in EFPP and losing its interest in the Kisevak Project and Sastavci Project.

The Arrangement is subject to the acceptance of various regulators.

Completion of the Arrangement is subject to the final acceptance of the TSXV. Completion of the Arrangement is also subject to the receipt of any requisite approvals of the LSE, FCA, ASX and listing on the LSE of the Consideration Shares and the Adriatic Shares to be issued upon exercise of the Replacement Options and the Replacement Warrants. If such approvals are not obtained, there can be no guarantee of the successful completion of the Arrangement.

The Arrangement Agreement may be terminated by Adriatic and Tethyan in certain circumstances.

Each of Adriatic and Tethyan has the right to terminate the Arrangement Agreement and not complete the Arrangement in certain circumstances. Accordingly, there is no certainty, nor can either of the Parties provide any assurance, that the Arrangement Agreement will not be terminated by any of Adriatic or Tethyan, as the case may be, before the completion of the Arrangement. See "*The Arrangement Agreement — Termination*".

In addition, completion of the Arrangement is subject to a number of conditions precedent, certain of which are outside the control of Adriatic and/or Tethyan. There is no certainty, nor can any Party provide any assurance, that these conditions will be satisfied or waived.

The Adriatic Termination Fee may discourage other parties from proposing a significant business transaction with Tethyan.

In certain circumstances under the Arrangement Agreement, Tethyan will be required to pay to Adriatic the Adriatic Termination Fee and cover Adriatic's expenses of up to \$150,000 in connection with a termination of the Arrangement Agreement. These termination payments may discourage other parties from attempting to propose a significant business transaction to Tethyan even if a different transaction could provide better value than the Arrangement to the Tethyan Shareholders.

Potential payments to Tethyan Shareholders who exercise Dissent Rights could have an adverse effect on the Combined Company's financial condition or prevent the completion of the Arrangement.

Each of the Tethyan Shareholders has the right to exercise Dissent Rights and demand payment equal to the fair value of their Tethyan Shares in cash. If Dissent Rights are validly exercised in respect of a significant number of Tethyan Shares, a substantial cash payment may be required to be made to such Tethyan Shareholders, which could have an adverse effect on the Combined Company's financial condition and cash resources. Moreover, Adriatic's obligation to complete the Arrangement is conditional upon Tethyan Shareholders holding no more than 5% of the outstanding Tethyan Shares having exercised Dissent Rights. Accordingly, the Arrangement may not be completed if Tethyan Shareholders exercise Dissent Rights in respect of more than 5% of the outstanding Tethyan Shares.

The COVID-19 Pandemic may have an adverse effect on Tethyan's or the Combined Company's operations or prevent or delay the completion of the Arrangement.

The current outbreak of the novel coronavirus (COVID-19) and the spread of this virus could continue to have a material adverse effect on global economic conditions which may adversely impact Tethyan, the Combined Company or completion of the Arrangement. The World Health Organization declared a global emergency on January 30, 2020 with respect to the outbreak and characterized it as a pandemic on March 11, 2020, with cases reported around the world. The extent to which the outbreak impacts Tethyan, the Combined Company or completion of the Arrangement will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the outbreak and the actions to contain the outbreak or treat its impact, among others. Moreover, the actual and threatened spread of the coronavirus globally could also have a material adverse effect on the regional economies in which Tethyan and the Combined Company intend to operate, continue to negatively impact stock markets, adversely impact Tethyan's or the Combined Company's ability to raise capital, and cause continued interest rate volatility. In addition, restrictions including quarantines, closures, cancellations and travel restrictions may have a material adverse effect on Tethyan's or the Combined Company's business including operating delays and disruptions, labour shortages, travel disruption and shutdowns. Tethyan and the Combined Company may incur expenses or delays relating to such events outside of their control, which could have a material adverse impact on the business, operating results or financial condition of Tethyan or the Combined Company, or the ability of Tethyan and Adriatic to complete the Arrangement when expected or at all.

Risks Related to the Combined Company

The business and operations of the Combined Company will be subject to risks, including those set forth in respect of Adriatic in Schedule "F" of this Circular as well as those set forth in Tethyan's publicly filed documents from time to time, which are available under its profile at www.sedar.com.

Adriatic may be unable to successfully integrate the businesses of Adriatic and Tethyan and realize the anticipated benefits of the Arrangement.

Adriatic and Tethyan are proposing to complete the Arrangement to strengthen the position of each entity in the mining exploration industry and to create the opportunity to realize certain benefits, including those set forth in this Circular under the heading "*The Arrangement – Reasons for the Tethyan Board Recommendation*". Achieving the benefits of the Arrangement depends in part on the ability of the Combined Company to effectively capitalize on its scale, to realize the anticipated capital and operating synergies, and to maximize the potential of its improved growth opportunities and capital funding opportunities as a result of combining the businesses and operations of Adriatic with Tethyan. A variety of factors, including those risk factors set forth in this Circular and in the documents incorporated by reference herein, may adversely affect the ability of Adriatic and Tethyan to achieve the anticipated benefits of the Arrangement.

There are risks related to the integration of the existing businesses of Adriatic and Tethyan.

The ability to realize the benefits of the Arrangement including, among other things, those set forth in this Circular under the heading "*The Arrangement – Reasons for the Tethyan Board Recommendation*", will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner. This integration will require the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities of the Combined Company following completion of the Arrangement, and from operational matters during this process.

The unaudited pro forma consolidated financial statements of the Combined Company are presented for illustrative purposes only and may not be an indication of the Combined Company's financial conditions or results of operations following the Arrangement.

The Combined Company's unaudited pro forma consolidated financial statements contained in this Circular are presented for illustrative purposes only as of their respective dates and may not be an indication of the financial condition or results of operations of the Combined Company following the Arrangement. The unaudited pro forma condensed consolidated financial statements have been derived from the respective historical financial statements of

Tethyan and Adriatic and certain adjustments and assumptions made as of the dates indicated therein have been made to give effect to the Arrangement and the other respective relevant transactions. The information upon which these adjustments and assumptions have been made is preliminary and these kinds of adjustments and assumptions are difficult to make with complete accuracy. Moreover, the unaudited pro forma consolidated financial statements do not reflect all costs expected to be incurred by the Combined Company in connection with the Arrangement. For example, the impact of any incremental costs incurred in integrating Tethyan and Adriatic is not reflected in unaudited pro forma consolidated financial statements.

Risk Factors Related to the Operations of Adriatic

Whether or not the Arrangement is completed, Adriatic will continue to face many of the risks that it currently faces with respect to its business and affairs. Certain of these risk factors have been disclosed in Schedule "F" of this Circular.

Risk Factors Related to the Operations of Tethyan

Whether or not the Arrangement is completed, Tethyan will continue to face many of the risks that it currently faces with respect to its business and affairs. Certain of these risk factors have been disclosed below and in the management's discussion and analysis of the financial condition and results of operations of Tethyan for the year ended December 31, 2019, which has been filed under Tethyan's profile on SEDAR at www.sedar.com.

INFORMATION CONCERNING ADRIATIC

Information concerning Adriatic is set out in Schedule "F" of this Circular.

INFORMATION CONCERNING THE COMBINED COMPANY

Information concerning the Combined Company (assuming the completion of the Arrangement) is set out in Schedule "G" of this Circular.

LEGAL MATTERS

Certain Canadian legal matters in connection with the Arrangement as they pertain to Adriatic will be passed upon by Sangra Moller LLP. Certain Canadian legal matters in connection with the Arrangement as they pertain to Tethyan will be passed upon by Morton Law LLP.

As of the date of this Circular, the partners and associates of Sangra Moller LLP, as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding Adriatic Shares or shares of any of Adriatic's associates or affiliates. As of the date of this Circular, the partners and associates of Morton Law LLP, as a group, beneficially own, directly, or indirectly, less than 1% of the outstanding Tethyan Shares or shares of any of Tethyan's associates or affiliates.

PARTICULARS OF MATTERS TO BE ACTED UPON

To the knowledge of the Tethyan Board, the only matters to be placed before the Tethyan Meeting are those set forth in the accompanying Notice of Meeting and more particularly described in this Circular.

Presentation of Financial Statements

The annual consolidated financial statements of Tethyan for the financial year ended December 31, 2019, together with the auditor's report thereon, will be placed before the Tethyan Meeting. Tethyan's financial statements are available under Tethyan's profile on SEDAR at www.sedar.com.

Election of Directors

The Tethyan Board proposes to fix the number of directors of Tethyan at three (3) and to nominate the persons listed below for election as directors. Each director will hold office until the next annual general meeting of Tethyan or until their successor is elected or appointed, unless their office is earlier vacated. Management does not contemplate that any of the nominees will be unable to serve as a director. If, prior to the Tethyan Meeting, any vacancies occur in the slate of nominees herein listed, it is intended that discretionary authority shall be exercised by the person named in the Tethyan Proxy as nominee to vote the Tethyan Shares represented by the Tethyan Proxy for the election of any other person or persons as directors.

The following table sets out the names of the management nominees; their positions and offices with Tethyan; principal occupations; the period of time that they have been directors of Tethyan; and the number of Tethyan Shares which each beneficially owns or over which control or direction is exercised.

Name, Residence and Present Position with Tethyan	Director Since	Number of Tethyan Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Discretion is Exercised ⁽¹⁾	Principal Occupation ⁽¹⁾
Fabian Baker⁽²⁾ <i>President, Chief Executive Officer & Director</i> United Kingdom	August 25, 2017	243,131	Mr. Baker is the President and CEO of Tethyan. Prior to which he was the Chief Geologist for Lydian International on its Amulsar Gold project. He followed this with a role as Exploration Manager for Royal Road Minerals Ltd exploring for copper and gold in Turkey. In 2014 Mr. Baker co-founded Tethyan Resources Jersey Limited, which was subsequently acquired and is now a wholly owned subsidiary of Tethyan.
Donald Taylor⁽²⁾ <i>Director</i> British Columbia, Canada	January 30, 2019	500,000	Mr. Taylor currently is CEO of Titan Mining Corporation and formerly Director and COO of Arizona Mining Inc. between February 2015 and January 2016 respectively to August 2018, President from May 2012 to January 2016.
Radomir Vukcevic⁽²⁾ <i>Director</i> British Columbia, Canada	June 29, 2018	11,430,000	Dr. Vukcevic is currently director of First Vanadium Corp. and ARA Ltd. He was previously CEO of Taor d.o.o. to June 2018 and CEO of Serbian Nickel d.o.o. to 2018.

Notes:

- (1) The information as to principal occupation, business or employment, and Tethyan Shares beneficially owned or controlled is not within the knowledge of the management of Tethyan and has been furnished by the respective nominees. Unless otherwise stated above, any nominees named above not elected at the last annual general meeting have held the principal occupation or employment indicated for at least the five preceding years.
- (2) Member of the audit committee.

Except as otherwise disclosed below, to the knowledge of Tethyan, no proposed director of Tethyan is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including Tethyan) that:

- (a) was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer, or
- (b) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes of subsection (a) above, “order” means:

- (i) a cease trade order;
- (ii) an order similar to a cease trade order; or
- (iii) an order that denied the relevant company access to any exemption under securities legislation;

that was in effect for more than 30 consecutive days.

Except as otherwise disclosed below, to the knowledge of Tethyan, no proposed director of Tethyan:

- (a) is, as at the date of this Circular, or has been within 10 years before the date of this Circular, a director or executive officer of any company (including Tethyan) that, while that person was acting in the that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- (b) has, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director or executive officer;
- (c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (d) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Appointment of Auditor

Management is recommending that Tethyan Shareholders vote to appoint KPMG LLP, Chartered Professional Accountants (“KPMG”) of 777 Dunsmuir Street, Vancouver, BC, V7Y 1K3, as Tethyan’s auditor and to authorize the directors to fix their remuneration. KPMG was appointed as Tethyan’s auditor effective as of April 13, 2018.

Approval of the Tethyan Option Plan

At the Tethyan Meeting, the Tethyan Shareholders will be asked to approve the Tethyan Option Plan. The purpose of the Tethyan Option Plan is to ensure that an incentive exists to maximize shareholder value by aligning executive compensation to share price performance and to reward those executives making a long-term commitment and contribution to Tethyan.

The following summary of the Tethyan Option Plan does not purport to be complete and is qualified in its entirety by reference to the Tethyan Option Plan. A full copy of the Tethyan Option Plan will be available at the Tethyan Meeting for review by Tethyan Shareholders. Tethyan Shareholders may also obtain copies of the Tethyan Option Plan prior to the Tethyan Meeting on written request.

Eligible Participants. Following Tethyan Board approval, in its discretion, Tethyan Options may be granted under the Tethyan Option Plan to directors and senior officers of Tethyan or its Subsidiaries, management company employees, employees of Tethyan or its Subsidiaries, or consultants to Tethyan or its Subsidiaries.

Number of Tethyan Shares Reserved. The number of Tethyan Shares which may be issued pursuant to Tethyan Options granted under the Tethyan Option Plan may not exceed 10% of the issued and outstanding Tethyan Shares from time to time at the date of granting of Tethyan Options (including all Tethyan Options granted by Tethyan under the Tethyan Option Plan). Tethyan Options which are cancelled or expire prior to exercise continue to be issuable under the Tethyan Option Plan.

Limitations. Under the Tethyan Option Plan, the aggregate number of Tethyan Options granted to any one person in a 12-month period must not exceed 5% of the issued and outstanding Tethyan Shares, calculated on the date the Tethyan Option is granted. The aggregate number of Tethyan Options granted to any one consultant in a 12-month period must not exceed 2% of the issued and outstanding Tethyan Shares, calculated at the date the Tethyan Option is granted. The aggregate number of Tethyan Options granted to all persons retained to provide investor relations services to Tethyan (including consultants and employees or directors whose role and duties primarily consist of providing investor relations services) must not exceed 2% of the issued and outstanding Tethyan Shares in any 12 month period, calculated at the date an Tethyan Option is granted to any such person.

Term of Tethyan Options. Subject to the termination and change of control provisions noted below, the terms of any Tethyan Option granted under the Tethyan Option Plan are determined by the Tethyan Board and may not exceed ten (10) years from the date of grant.

Exercise Price. The exercise price of Tethyan Options granted under the Tethyan Option Plan is determined by the Tethyan Board in its sole discretion, provided that it is not less than the discounted market price, as that term is defined in the TSXV's Corporate Finance policy manual or such other minimum price as is permitted by the TSXV in accordance with its policies from time to time, or, if the shares are no longer listed on the TSXV, then such other exchange or quotation system on which the Tethyan Shares are listed or quoted for trading. The exercise price of Tethyan Options granted to insiders may not be decreased without disinterested Tethyan Shareholder approval at the time of the proposed amendment.

Reduction of Exercise Price. The exercise price of Tethyan Options granted to insiders may not be decreased without disinterested Tethyan Shareholder approval at the time of the proposed amendment.

Vesting. All Tethyan Options granted pursuant to the Tethyan Option Plan will be subject to such vesting requirements as may be prescribed by the TSXV, if applicable, or as may be imposed by the Tethyan Board. Tethyan Options granted in connection with investor relation services must vest in stages over twelve (12) months with no more than one-quarter of the Tethyan Options vesting in any three-month period.

Termination. Any Tethyan Options granted pursuant to the Tethyan Option Plan will terminate generally within 90 days of the Tethyan Optionholder ceasing to act as a director, employee or consultant of Tethyan or any of its affiliates, unless another date is fixed by the Board (which date shall be no more than one year from the date the Tethyan Optionholder ceases to act as a director, employee or consultant of Tethyan or any of its affiliates) or such cessation is on account of death or disability. If such cessation is on account of death or disability, the Tethyan Options terminate on the first anniversary of such cessation. If such cessation is on account of cause, or terminated by regulatory sanction or by reason of judicial order, the Tethyan Options terminate immediately. Tethyan Options that have been cancelled or that have expired without having been exercised shall continue to be issuable under the Tethyan Option Plan. The Tethyan Option Plan also provides for adjustments to outstanding Tethyan Options in the event of any consolidation, subdivision, conversion or exchange of Tethyan Shares.

Administration. The Tethyan Option Plan is administered by the Tethyan Board.

Tethyan Board Discretion. The Tethyan Option Plan provides that, generally, the number of Tethyan Shares subject to each Tethyan Option, the exercise price, the expiry time, the extent to which such Tethyan Option is exercisable, including vesting schedules, and other terms and conditions relating to such Tethyan Options shall be determined by

the Tethyan Board in accordance with TSXV policies. The number of Tethyan Option grants, in any 12 month period, may not result in the issuance to any one optionee of Tethyan Options to purchase Tethyan Shares which exceed 5% of the issued and outstanding Tethyan Shares (unless Tethyan is a Tier 1 issuer and has obtained the requisite disinterested Tethyan Shareholder approval), or the issuance to a consultant or an employee engaged in investor relations activities of Tethyan Options to purchase shares which exceed 2% of the issued and outstanding Tethyan Shares.

Disinterested Tethyan Shareholder approval will be sought in respect of any material amendment to the Tethyan Option Plan.

Tethyan Shareholders will be asked at the Tethyan Meeting to approve, with or without variation, the following ordinary resolution:

“BE IT RESOLVED THAT:

- (a) Tethyan’s 2019 stock option plan be confirmed, ratified and approved, and that in connection therewith a maximum of 10% of the issued and outstanding common shares of Tethyan at the time of each grant be approved for granting as options; and
- (b) any director or officer of Tethyan be authorized and directed to do all acts and things and to execute and deliver all documents required, as in the opinion of such director or officer may be necessary or appropriate in order to give effect to this resolution.”

A copy of the Tethyan Option Plan is available at the records office of Tethyan at Suite 1200 – 750 West Pender Street, Vancouver, British Columbia, Canada until the Business Day immediately preceding the date of the Tethyan Meeting, and a copy will also be made available at the Tethyan Meeting.

OTHER BUSINESS

Management of Tethyan is not aware of any other matter to come before the Tethyan Meeting other than as set forth in the Notice of Meeting and this Circular. If any other matter properly comes before the Tethyan Meeting, it is the intention of the persons named in the enclosed Tethyan Proxy to vote the shares represented thereby in accordance with their best judgment on such matter.

STATEMENT OF EXECUTIVE COMPENSATION

The following information is presented in accordance with National Instrument Form 51-102F6 – *Statement of Executive Compensation* by Tethyan for the financial year ended December 31, 2019.

Compensation Discussion and Analysis

The following information describes and explains the significant elements of compensation awarded to, earned by, paid to, or payable to, Tethyan’s CEO, CFO and to the three most highly compensated executive officers, including any of the Subsidiaries, other than the CEO and CFO at the end of the most recently completed financial year (the “**Named Executive Officer**” or “**NEO**”), excluding any executive officer whose total compensation does not exceed \$150,000. During the fiscal year ended December 31, 2019, Tethyan’s NEOs were: Fabian Baker (President and CEO), Jerrold Annett (former CEO), Edward Boney (CFO), Vince Boon (former CFO) and Richard Warke (former Executive Chairman).

Given Tethyan's size, Tethyan does not currently have a compensation committee or formal process for determining executive compensation. At this stage, Tethyan relies solely on the discussions and recommendations of the Tethyan Board without any formal objectives, criteria and analysis. The Chairman and CEO will review and recommend to the Tethyan Board compensation arrangements for Tethyan's NEOs including any short-term and long-term incentive programs. Each Tethyan Board member has adequate experience in the area of compensation which experience assists in making decisions on the suitability of Tethyan's compensation practices and policies to ensure fair compensation for Tethyan's executives in line with Tethyan's peers.

The compensation for Tethyan's executive officers is currently comprised of a base salary and a long-term incentive program (comprised of stock options). A discretionary bonus may be awarded if deemed appropriate. When reviewing the compensation arrangements of Tethyan's executives, the Tethyan Board considers fairness to the Tethyan Shareholders and investors of Tethyan, market competitiveness and recognizing and rewarding performance, individually and collectively in relation to Tethyan's success. A more formal approach may be considered going forward.

For fiscal year 2019 the Tethyan Board did not formally consider implications of the risks associated with Tethyan's compensation practices.

Base Salary and Bonuses

To ensure that Tethyan will continue to attract and retain qualified and experienced executives, base salaries may be reviewed and adjusted annually, if necessary, in order to ensure that they remain at a level that is at or above the median for comparable companies. Tethyan does not have a formal short-term incentive program in place but may grant a bonus to its executives based on their performance consistent with the success of Tethyan's business at the discretion of the Tethyan Board.

For the fiscal year ended December 31, 2019 the Tethyan Board approved and authorized a bonus payment to Tethyan's CEO. The bonus payment is reflected in the "Summary Compensation Table" below.

Long-term Incentive Compensation

Stock Options

Tethyan Resources PLC obtained shareholder approval for its stock option plan, with terms identical to the Tethyan Option Plan, at its annual general meeting held on June 28, 2019. The Tethyan Option Plan replaced the stock option plan of Tethyan Resources PLC on completion of the redomiciling scheme of arrangement on July 18, 2019.

See "Particulars of Matter to be Acted Upon – Approval of the Tethyan Option Plan" for more details regarding the Tethyan Option Plan.

Summary Compensation Table

The following table sets forth all annual and long-term compensation awarded, paid to or earned for services in all capacities to Tethyan for the fiscal year ended December 31, 2019 for each NEO of Tethyan:

Name and principal position	Year	Salary, Consulting fee, retainer or commission (Cdn \$)	Share-based award	Option-based awards ⁽¹⁾ (Cdn \$)	Non-equity incentive plan compensation (Cdn \$)		Pension value (Cdn \$)	All other compensation (Cdn \$)	Total compensation (Cdn \$)
					Annual incentive plans (Cdn \$)	Long-term incentive plans			
Fabian Baker ⁽²⁾ President, CEO & Director	2019	\$249,411	N/A	Nil	\$24,617	N/A	N/A	N/A	\$274,028
	2018	\$176,821	N/A	\$111,892	N/A	N/A	N/A	N/A	\$288,713
	2017	\$96,290	N/A	\$51,742	\$16,720	N/A	N/A	N/A	\$164,752
Jerrold Annett ⁽³⁾ Former CEO & former Director	2019	\$173,558	N/A	\$340,143	N/A	N/A	N/A	N/A	\$513,701
	2018	Nil	N/A	Nil	N/A	N/A	N/A	N/A	Nil
	2017	Nil	N/A	Nil	N/A	N/A	N/A	N/A	Nil
Edward Boney ⁽⁴⁾ CFO	2019	\$145,837	N/A	\$62,513	N/A	N/A	N/A	N/A	\$208,350
	2018	Nil	N/A	Nil	N/A	N/A	N/A	N/A	Nil
	2017	Nil	N/A	Nil	N/A	N/A	N/A	N/A	Nil
Vince Boon ⁽⁵⁾ Former CFO	2019	Nil	N/A	Nil	N/A	N/A	N/A	N/A	Nil
	2018	Nil	N/A	\$8,401	N/A	N/A	N/A	N/A	\$8,401
	2017	Nil	N/A	Nil	N/A	N/A	N/A	N/A	Nil
Richard Warke ⁽⁶⁾ Former Executive Chairman & former Director	2019	\$277,308	N/A	\$612,258	N/A	N/A	N/A	N/A	\$889,566
	2018	Nil	N/A	Nil	N/A	N/A	N/A	N/A	Nil
	2017	Nil	N/A	Nil	N/A	N/A	N/A	N/A	Nil

Notes:

- (1) Tethyan uses the Black Scholes pricing model which is the industry standard for valuing stock options.
- (2) Mr. Baker was appointed by Tethyan Resources PLC, prior to redomiciling, as the President and a director on November 1, 2017 and was appointed as the CEO of Tethyan on September 25, 2019.
- (3) Mr. Annett was appointed as the CEO of Tethyan on May 20, 2019 and ceased to be CEO of Tethyan on September 25, 2019. Mr. Annett's salary was paid through a management services company equally owned by Tethyan and other related companies with some common directors and officers. The salary for Mr. Annett reflects the amount charged to Tethyan.
- (4) Mr. Boney was appointed by Tethyan Resources PLC, prior to redomiciling, as CFO on March 11, 2019. Mr. Boney's salary is paid through a management services company equally owned by Tethyan and other related companies with some common directors and officers. The salary for Mr. Boney reflects the amount charged to Tethyan.
- (5) Mr. Boon was appointed as CFO of Tethyan Resources PLC on December 5, 2017 and ceased to be CFO on March 11, 2019. Mr. Boon is an independent consultant and was paid by J. Proust & Associates Inc. under the JPA Agreement (as defined below) in connection with services provided to Tethyan by Mr. Boon as CFO.
- (6) Mr. Warke was appointed by Tethyan Resources PLC, prior to redomiciling, as the Executive Chairman and a director on January 30, 2019 and ceased to act as the Executive Chairman and a director effective as of March 31, 2020. Mr. Warke's salary was paid through a management services company equally owned by Tethyan and other related companies with some common directors and officers. The salary for Mr. Warke reflects the amount charged to Tethyan.

Termination and Change of Control Benefits

Other than as described below, there are no agreements, compensation plans, contracts or arrangements whereby an NEO is entitled to receive payments in the event of resignation, retirement or other termination of the NEO's employment with Tethyan, a change of control or a change in the NEO's responsibilities following a change of control.

NEO Employment, Consulting and Management Agreements

During part of the financial year ended December 31, 2019, Tethyan engaged the services of J. Proust & Associates Inc., a company controlled by John Proust, a former director of Tethyan and a current director of Southern Arc Minerals Inc., a 12.56% Tethyan Shareholder, to provide management, advisory, administrative and accounting services and the services of a CFO and Corporate Secretary to Tethyan pursuant to an agreement (the "JPA

Agreement”). During the financial year ended December 31, 2019 Tethyan paid \$70,000 to J. Proust & Associates Inc. which included \$Nil for the services of Mr. Proust as Non-Executive Chairman of Tethyan, the services of the CFO of \$25,000, the services of the Corporate Secretary of \$9,000 as well as other administrative and accounting services of \$36,000. As at December 31, 2019, \$Nil was owed to J. Proust & Associates Inc. The JPA Agreement was terminated May 31, 2019.

NEO employment agreements provide for a base salary (as may be adjusted annually), a bonus, grant of Tethyan Options, vacation time and various standard benefits including life, disability, medical, dental and reimbursement of reasonable expenses. Where applicable, the payment of a bonus is at the discretion of the Tethyan Board, and is to be tied to corporate, operational and individual performance, and the grant of Tethyan Options is also at the discretion of the Tethyan Board. Refer to the “Summary Compensation Table” above for compensation paid to, earned by or accrued for each NEO for fiscal year ended December 31, 2019.

The following are the significant terms of each NEO’s employment agreement or arrangement as at December 31, 2019.

Fabian Baker, President, CEO and director

Mr. Baker is entitled to an annual base salary of £150,000 and is eligible for a target bonus of up to 50% his base salary. If Mr. Baker’s employment is terminated without cause Mr. Baker shall be entitled to three months’ notice (or payment in lieu) plus an amount in cash equal to three months of his then base annual salary. The termination payment is in addition to basic entitlements for unpaid base salary to the date of termination, accrued and outstanding vacation pay and reimbursement for properly incurred business expenses. In the event that Mr. Baker is terminated without cause or resigns for any reason within six months following a change of control, he will be entitled to an amount in cash equal to one and one-half times the aggregate of his then base annual salary and any Tethyan Board-approved bonuses. All unvested Tethyan Options granted under the Tethyan Option Plan held by Mr. Baker at the time of a change of control will vest on the date of such change of control.

In connection with the Arrangement Mr. Baker has agreed to waive his severance and change of control benefits that would otherwise be payable upon completion of the Arrangement. See “*Interests of Directors and Officers in the Arrangement – Interested Directors and Executive Officers*” in this Circular. Should the Arrangement not be completed then the severance and change of control benefits described above will continue to be in effect.

Edward Boney, CFO

Mr. Boney is entitled to an annual base salary of \$190,000 and is eligible for a target bonus of up to 40% his base salary. If Mr. Boney’s employment is terminated without cause during his first six months of employment, Mr. Boney shall be entitled to severance as stipulated by the employment standards in British Columbia. If Mr. Boney’s employment is terminated without cause during his second six months of employment, Mr. Boney shall be entitled to an amount in cash equal to one month of his then base annual salary. If Mr. Boney is terminated without cause after one year of employment, Tethyan will pay an amount in cash equal to two months of his then base annual salary. The termination payment is in addition to basic entitlements for unpaid base salary to the date of termination, accrued and outstanding vacation pay and reimbursement for properly incurred business expenses. In the event that Mr. Boney is terminated without cause or resigns for any reason within six months following a change of control, he will be entitled to an amount in cash equal to one and one-half times the aggregate of his then base annual salary and any Tethyan Board-approved bonuses. All unvested Tethyan Options granted under the Tethyan Option Plan held by Mr. Boney at the time of a change of control will vest on the date of such change of control.

In connection with the Arrangement, Mr. Boney has agreed to waive his severance and change of control benefits that would otherwise be payable upon completion of the Arrangement. See “*Interests of Directors and Officers in the Arrangement – Interested Directors and Executive Officers*” in this Circular. Should the Arrangement not be completed then the severance and change of control benefits described above will continue to be in effect.

Richard Warke, former Executive Chairman and former director

Mr. Warke was entitled to an annual base salary of \$300,000 and was eligible for a target bonus of up to 60% his base salary. If Mr. Warke's employment were to be terminated without cause by Tethyan or for good reason by the employee Mr. Warke would be entitled to an amount in cash equal to two times his then base annual salary. The termination payment would be in addition to basic entitlements for unpaid base salary to the date of termination, accrued and outstanding vacation pay and reimbursement for properly incurred business expenses. In the event that Mr. Warke were to be terminated without cause or resign for any reason within six months following a change of control, he would be entitled to an amount in cash equal to three times the aggregate of his then base annual salary and any Tethyan Board-approved bonuses. All unvested Tethyan Options granted under the Tethyan Option Plan held by Mr. Warke at the time of a change of control would vest on the date of such change of control.

Mr. Warke ceased to be the Executive Chairman and a director of Tethyan on March 31, 2020.

Incentive Plan Awards

Outstanding share-based awards and option-based awards

To date, Tethyan has granted only option-based awards. The following table sets out all awards outstanding at the end of the most recently completed financial year held by each NEO.

Name	Option-based Awards					Share-based Awards	
	Number of securities underlying unexercised options		Option exercise price (\$)	Option expiration Date	Value of unexercised in-the-money options ⁽¹⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested
	Unexercisable	Exercisable					
Fabian Baker President, CEO & Director	-	166,667	\$0.24	Dec. 21, 2021	\$0	N/A	N/A
	-	283,333	\$0.30	Dec. 5, 2022	\$0	N/A	N/A
	-	1,000,000	\$0.25	Aug. 16, 2021	\$0	N/A	N/A
Jerrold Annett Former CEO & former Director	-	-	-	-	-	N/A	N/A
Edward Boney CFO	150,000	-	\$0.63	Mar. 6, 2024	\$0	N/A	N/A
Vince Boon Former CFO	-	-	-	-	-	N/A	N/A
Richard Warke Former Executive Chairman & former Director	1,800,000 ⁽²⁾	-	\$0.51	Feb. 28, 2024	\$0	N/A	N/A

Notes:

- (1) On December 31, 2019 the closing price of the Tethyan Shares was \$0.14.
- (2) 1,620,000 unvested Tethyan Options granted under the Tethyan Option Plan to Mr. Warke expired on March 31, 2020 upon his resignation, 180,000 vested Tethyan Options expired on June 29, 2020 (90 days after ceasing to be an "Eligible Person") in accordance with the terms of the Tethyan Option Plan.

Value Vested or Earned During the Year

The following table represents the aggregate dollar value that would have been realized if the Tethyan Options under the option-based award had been exercised on the vesting date for each NEO.

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Fabian Baker President, CEO & Director	Nil	N/A	N/A
Jerrold Annett Former CEO & former Director	Nil	N/A	N/A
Edward Boney CFO	Nil	N/A	N/A
Vince Boon Former CFO	Nil	N/A	N/A
Richard Warke Former Executive Chairman & former Director	Nil	N/A	N/A

Significant terms of all plan-based awards

See “Particulars of Matter to be Acted Upon – Approval of the Tethyan Option Plan” for more details regarding the Tethyan Option Plan.

Pension Plan Benefits

Tethyan does not provide pension or retirement benefits for its directors or executive officers.

Director Compensation

The following table sets forth all amounts of compensation provided to the directors of Tethyan for the year ended December 31, 2019.

Name	Fees earned	Share-based awards	Option-based awards (\$)⁽¹⁾	Non-equity incentive plan compensation	Pension value	All other compensation	Total (Cdn \$)
Michael Andrews ⁽²⁾	N/A	N/A	Nil	N/A	N/A	N/A	\$ -
John Carlile ⁽³⁾	N/A	N/A	Nil	N/A	N/A	N/A	\$ -
John Proust ⁽³⁾	N/A	N/A	Nil	N/A	N/A	N/A	\$ -
Poonam Puri ⁽⁴⁾	N/A	N/A	\$63,936	N/A	N/A	N/A	\$ 63,936
Donald R. Taylor ⁽⁵⁾	N/A	N/A	\$45,209	N/A	N/A	N/A	\$ 45,209
Radomir Vukcevic	\$134,408 ⁽⁶⁾	N/A	Nil	N/A	N/A	N/A	\$134,408

Notes:

- (1) Tethyan uses Black Scholes pricing model which is the industry standard for valuing stock options.
- (2) Dr. Andrews resigned as a director of Tethyan Resources PLC on April 18, 2019, prior to the redomiciling of Tethyan.
- (3) Messrs. Carlile and Proust resigned as directors of Tethyan Resources PLC on January 30, 2019, prior to the redomiciling of Tethyan.
- (4) Ms. Puri was appointed as a director of Tethyan Resources PLC, prior to the redomiciling of Tethyan, on April 22, 2019 and ceased to be a director of Tethyan on March 31, 2020.
- (5) Mr. Taylor was appointed as a director of Tethyan Resources PLC, prior to the redomiciling of Tethyan, on January 30, 2019.
- (6) Consulting fee paid to Dr. Vukcevic pursuant to a Services Agreement, as defined below. The Services Agreement was terminated on September 30, 2019.

Except as disclosed herein, for the most recently completed fiscal year ended December 31, 2019, there were no arrangement, standard or otherwise, pursuant to which directors, except management directors, received cash or non-cash compensation from Tethyan in their capacity as directors, consultants and/or experts. Tethyan Options may be granted, from time to time, to Tethyan's directors.

All reasonable expenses incurred by a director in attending Tethyan Board meetings, committee meetings or shareholder meetings, together with all expenses properly and reasonably incurred by any director in the conduct of Tethyan's business or in the discharge of his duties as a director are paid by Tethyan.

On March 19, 2018 Tethyan Resources PLC and Dr. Vukcevic entered into a services agreement (the “**Services Agreement**”) pursuant to which Tethyan Resources PLC agreed to pay Dr. Vukcevic a fee of €120,000 annually in exchange for his services as Vice President, Operations. The Services Agreement was terminated on September 30, 2019.

Directors' outstanding share-based and option-based awards

The following table sets forth, for each director of Tethyan that is not an NEO, all awards outstanding at the end of the period ended December 31, 2019 including awards granted before this period. During the period ended December 31, 2019 and prior years, the only type of award granted to the Tethyan Board has been Tethyan Options.

Name	Option-based Awards					Share-based Awards	
	Number of securities underlying unexercised options		Option exercise price (\$)	Option expiration Date	Value of unexercised in-the-money options ⁽¹⁾	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested
	Unexercisable	Exercisable					
Poonam Puri	200,000 ⁽¹⁾	-	\$0.78	Apr. 18, 2024	\$0	N/A	N/A
Donald R. Taylor	200,000	-	\$0.51	Feb. 28, 2024	\$0	N/A	N/A
Radomir Vukcevic	-	-	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) All Tethyan Options granted under the Tethyan Option Plan held by Ms. Puri expired on June 29, 2020 (90 days after ceasing to be an “Eligible Person”) in accordance with the terms of the Tethyan Option Plan.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out information as of the end of Tethyan's most recently completed financial year with respect to compensation plans under which equity securities of Tethyan are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuances under equity compensation plan (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (Stock Option Plan)	4,930,000	\$0.42	3,112,913
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total:	4,930,000	\$0.42	3,112,913

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Since the beginning of the most recently completed financial year, none of the directors, executive officers, employees, proposed nominees for election as directors or their associates have been indebted to Tethyan.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than in connection with the Arrangement as disclosed in this Circular, to the knowledge of Tethyan, after reasonable inquiry, no informed person of Tethyan, or any associate or affiliate of any informed person, has or had any material interest, direct or indirect, in any transaction or any proposed transaction which has materially affected or would materially affect Tethyan since the commencement of Tethyan's most recently completed fiscal year.

MANAGEMENT CONTRACTS

Management functions of Tethyan are not to any substantial degree performed by anyone other than the directors or executive officers of Tethyan.

STATEMENT OF CORPORATE GOVERNANCE

Corporate Governance

Corporate governance relates to the activities of the Tethyan Board, the members of which are elected by and are accountable to the Tethyan Shareholders and takes into account the role of the individual members of management who are appointed by the Tethyan Board and charged with the day to day management of Tethyan. The CSA have adopted National Policy 58-201 – *Corporate Governance Guidelines*, which provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as Tethyan. In addition, the CSA have implemented NI 58-101, which prescribes certain disclosure by Tethyan of its corporate governance practices. This disclosure is presented below.

Tethyan Board of Directors

The composition of the Tethyan Board currently consists of three (3) members, Fabian Baker, Donald Taylor and Radomir Vukcevic. It is proposed that all three individuals will be nominated at the Tethyan Meeting.

Two of the proposed directors, being Donald Taylor and Radomir Vukcevic, are individuals who qualify as independent directors. For this purpose, a director is independent if he has no direct or indirect "material relationship" with Tethyan. A "material relationship" is a relationship which could, in the view of the Tethyan Board, be reasonably expected to interfere with the exercise of the director's independent judgment. Of the proposed nominees, Fabian Baker, President and CEO is considered not independent.

Other Directorships

The following table sets forth the directors of Tethyan who are directors of other reporting issuers:

Name	Name of other reporting issuer
Fabian Baker	N/A
Donald Taylor	Solaris Resources Inc. Titan Mining Corporation
Radomir Vukcevic	ARA Ltd. First Vanadium Corp.

Orientation and Continuing Education

Orientation of new members of the Tethyan Board is conducted informally by management and members of the Tethyan Board. Tethyan has not adopted formal policies respecting continuing education for Tethyan Board members.

Ethical Business Conduct

The Tethyan Board has not adopted a formal code of business conduct and ethics. The Tethyan Board is of the view that the fiduciary duties placed on individual directors by Tethyan's governing legislation and common law together with corporate statutory restrictions on an individual director's participation in Tethyan Board decisions in which the director has an interest are sufficient to ensure that the Tethyan Board operates independently of management and in the best interests of Tethyan.

Nomination of Directors

The Tethyan Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual general meeting. The Tethyan Board takes in to account the number of directors required to carry out the Tethyan Board's duties effectively and to maintain diversity of views and experience.

The Tethyan Board has not established a nominating committee and this function is currently performed by the Tethyan Board as a whole.

Compensation

The Tethyan Board has not established a formal compensation committee. Rather, the independent Tethyan Board members are responsible for reviewing and determining the adequacy and form of compensation paid to Tethyan's executives and key employees. The independent Tethyan Board members evaluate the performance of the CEO and other senior management measured against Tethyan's business goals and industry compensation levels.

Board Committees

The Tethyan Board has no committees other than the Audit Committee.

Assessments

The Tethyan Board annually, and at such other times as it deems appropriate, reviews the performance and effectiveness of the Tethyan Board, the directors and its committees to determine whether changes in size, personnel or responsibilities are warranted. To assist in its review, the Tethyan Board conducts informal surveys of its directors and receives reports from each committee respecting its own effectiveness. As part of the assessments, the Tethyan Board or the individual committee may review their respective mandate or charter and conduct reviews of applicable corporate policies.

AUDIT COMMITTEE

Audit Committee Disclosure

Pursuant to NI 52-110, Tethyan is required to have an audit committee comprised of not less than three directors, a majority of whom are not officers, control persons or employees of Tethyan or an affiliate of Tethyan. NI 52-110 requires Tethyan, as a venture issuer, to disclose annually in its information circular certain information concerning the make-up of its audit committee and its relationship with its independent auditor.

The primary function of the audit committee (the "**Audit Committee**") is to assist the Tethyan Board in fulfilling its financial oversight responsibilities by: (i) reviewing the financial reports and other financial information provided by Tethyan to regulatory authorities and Tethyan Shareholders; (ii) reviewing the systems for internal corporate controls which have been established by the Tethyan Board and management; and (iii) overseeing Tethyan's financial reporting

processes generally. In meeting these responsibilities, the Audit Committee monitors the financial reporting process and internal control system; reviews and appraises the work of external auditors and provides an avenue of communication between the external auditors, senior management and the Tethyan Board. The Audit Committee is also mandated to review and approve all material related party transactions.

Composition of the Audit Committee

The Audit Committee is currently comprised of the following members: Fabian Baker, Donald Taylor and Radomir Vukcevic. Each member of the Audit Committee is considered to be financially literate, as defined by NI 52-110, in that he has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by Tethyan's financial statements.

The members of the Audit Committee are elected by the Tethyan Board at its first meeting following the annual shareholders' meeting. Unless a chair is elected by the full Tethyan Board, the members of the Audit Committee designate a chair by a majority vote of the full Audit Committee membership.

Relevant Education and Experience

Fabian Baker – Mr. Baker has had extensive management experience with companies in the minerals exploration industry. Mr. Baker is financially literate and familiar with the preparation and review of financial statements and accounting principles used in reading and preparing financial statements.

Donald Taylor – Mr. Taylor has had extensive management experience for large and small cap companies in the minerals exploration industry. Mr. Taylor is a Licensed Professional Geologist in several eastern and western states and has a Bachelor of Science degree in Geology from Southeast Missouri State University and a Master of Science degree from the University of Missouri at Rolla. As a former officer of various companies, Mr. Taylor is financially literate and familiar with the preparation and review of financial statements and accounting principles used in reading and preparing financial statements.

Radomir Vukcevic – Dr. Vukcevic has a distinguished 35-year career in creating and developing engineering, technical and equipment solutions for the international mining industry. Dr. Vukcevic has had extensive management experience in both public and private companies in the minerals exploration industry. As a former officer of various companies, Dr. Vukcevic is financially literate and familiar with the preparation and review of financial statements and accounting principles used in reading and preparing financial statements.

The Audit Committee's Charter

The charter of Tethyan's Audit Committee is reproduced below.

Mandate

The primary function of the Audit Committee is to assist the Tethyan Board in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by Tethyan to regulatory authorities and shareholders, Tethyan's systems of internal controls regarding finance and accounting, and Tethyan's auditing, accounting and financial reporting processes. Consistent with this function, the Audit Committee will encourage continuous improvement of, and should foster adherence to, Tethyan's policies, procedures and practices at all levels.

The Audit Committee's primary duties and responsibilities are to:

- serve as an independent and objective party to monitor Tethyan's financial reporting and internal control systems and review Tethyan's financial statements;
- review and appraise the performance of Tethyan's external auditors; and

- provide an open avenue of communication among Tethyan’s auditors, financial and senior management and the Tethyan Board.

Composition

The Audit Committee shall be comprised of three directors as determined by the Tethyan Board, the majority of whom shall be free from any relationship that, in the opinion of the Tethyan Board, would reasonably interfere with the exercise of his or her independent judgement as a member of the Audit Committee. At least one member of the Audit Committee shall have accounting or related financial management expertise. All members of the Audit Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of this Audit Committee Charter, the definition of “financially literate” is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by Tethyan’s financial statements. The members of the Audit Committee shall be elected by the Tethyan Board at its first meeting following the annual shareholder’s meeting.

Meetings

The Audit Committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Audit Committee will meet at least annually with the Chief Financial Officer and the external auditors in separate sessions.

Responsibilities and Duties

To fulfill its responsibilities and duties, the Audit Committee shall:

Documents/Reports Review

- Review and update this Audit Committee Charter annually.
- Review Tethyan’s financial statements, MD&A and any annual and interim earnings, press releases before Tethyan publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including certification, report, opinion, or review rendered by the external auditors.
- Confirm that adequate procedures are in place for the review of Tethyan’s public disclosure of financial information extracted or derived from Tethyan’s financial statements.

External Auditors

- Review annually, the performance of the external auditors who shall be ultimately accountable to the Tethyan Board and the Audit Committee as representatives of the shareholders of Tethyan.
- Obtain annually, a formal written statement of the external auditors setting forth all relationships between the external auditors and Tethyan, consistent with the Independence Standards Board Standard 1.
- Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.
- Take, or recommend that the full Tethyan Board, take appropriate action to oversee the independence of the external auditors.
- Recommend to the Tethyan Board the selection and compensation and, where applicable, the replacement of the external auditors nominated annually for shareholder approval.

- (f) At each meeting, consult with the external auditors, without the presence of management, about the quality of Tethyan's accounting principles, internal controls and the completeness and accuracy of Tethyan's financial statements.
- (g) Review and approve Tethyan's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of Tethyan.
- (h) Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.
- (i) Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by Tethyan's external auditors. The preapproval requirement is waived with respect to the provision of non-audit services if:
 - i. the aggregate amount of all such non-audit services provided to Tethyan constitutes not more than five percent of the total amount of fees paid by Tethyan to its external auditors during the fiscal year in which the non-audit services are provided;
 - ii. such services were not recognized by Tethyan at the time of the engagement to be non-audit services; and
 - iii. such services are promptly brought to the attention of the Audit Committee by Tethyan and approved prior to the completion of the audit by the Audit Committee or by one or more members of the Audit Committee who are members of the Tethyan Board to whom authority to grant such approvals has been delegated by the Audit Committee. Provided the pre-approval of the non-audit services is presented to the Audit Committee's first scheduled meeting following such approval, such authority may be delegated by the Audit Committee to one more independent members of the Audit Committee.

Financial Reporting Processes

- (a) In consultation with the external auditors, review with management the integrity of Tethyan's financial reporting process, both internal and external.
- (b) Consider the external auditors' judgements about the quality and appropriateness of Tethyan's accounting principles as applied in its financial reporting.
- (c) Consider and approve, if appropriate, changes to Tethyan's auditing and accounting principles and practices as suggested by the external auditors and management.
- (d) Review significant judgements made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgements.
- (e) Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- (f) Review any significant disagreement among management and the external auditors in connection with preparation of the financial statements.
- (g) Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
- (h) Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.

- (i) Review certification process.
- (j) Establish a procedure for the confidential, anonymous submission by employees of Tethyan of concerns regarding questionable accounting or auditing matters.

Other

Review any related-party transactions.

Audit Committee Oversight

Since the commencement of Tethyan's most recently completed financial year, the Tethyan Board has not failed to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor.

Reliance on Certain Exemptions

Since the effective date of NI 52-110, Tethyan has not relied on the exemptions contained in sections 2.4, 6.1.1(4), 6.1.1(5), 6.1.1(6) or Part 8 of NI 52-110. Section 2.4 provides an exemption from the requirement that the audit committee must pre-approve all non-audit services to be provided by the auditor, where the total amount of fees related to the non-audit services are not expected to exceed 5% of the total fees payable to the auditor in the fiscal year in which the non-audit services were provided. Sections 6.1.1(4) to 6.1.1(6) relate to the composition of the Audit Committee. Part 8 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110, in whole or in part.

Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by the Tethyan Board, and where applicable the Audit Committee, on a case-by-case basis.

External Auditor Service Fees

In the following table, "audit fees" are fees billed by Tethyan's external auditor for services provided in auditing Tethyan's annual financial statements for the subject year. "Audit-related fees" are fees not included in audit fees that are billed by the auditor for assurance and related services that are reasonably related to the performance of the audit or review of Tethyan's financial statements. "Tax fees" are fees billed by the auditor for professional services rendered for tax compliance, tax advice and tax planning. "All other fees" are fees billed by the auditor for products and services not included in the foregoing categories.

The fees paid by Tethyan to its auditor in each of the last two fiscal years, by category, are as follows:

Financial Year Ending	Audit Fees (Cdn \$)	Audit Related Fees (Cdn \$)	Tax Fees (Cdn \$)	All Other Fees (Cdn \$)
December 31, 2019	66,200	4,634	26,543	53,968
December 31, 2018	64,000	6,412	Nil	Nil

Exemption

Tethyan is relying on the exemption provided by section 6.1 of NI 52-110 which provides that Tethyan, as a venture issuer, is not required to comply with Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

ADDITIONAL INFORMATION

Additional information relating to Tethyan is available on the SEDAR website at www.sedar.com. Financial information is provided in Tethyan's financial statements and management's discussion and analysis for its most recently completed financial year. Tethyan Shareholders may request copies by (i) mail to Suite 555 – 999 Canada Place, Vancouver, British Columbia, V6C 3E1; or (ii) telephone to: 604-638-2009.

TETHYAN BOARD APPROVAL

The contents and the sending of the Notice of Meeting and this Circular have been approved by the Tethyan Board.

ON BEHALF OF THE BOARD OF DIRECTORS OF TETHYAN RESOURCE CORP.

"Fabian Baker"

Fabian Baker
President and Chief Executive Officer
July 13, 2020

Schedule "A"

ARRANGEMENT RESOLUTION

BE IT RESOLVED BY SPECIAL RESOLUTION THAT:

1. The arrangement (the “**Arrangement**”) under Section 288 of the *Business Corporations Act* (British Columbia) (the “**BCBCA**”) involving Tethyan Resource Corp. (“**Tethyan**”), all as more particularly described and set forth in the Management Proxy Circular (the “**Circular**”) of Tethyan dated July 13, 2020, accompanying the notice of this meeting (as the Arrangement may be, or may have been, modified or amended in accordance with its terms), is hereby authorized, approved and adopted.
2. The plan of arrangement (the “**Plan of Arrangement**”) involving Tethyan and implementing the Arrangement, the full text of which is set out as Schedule "B" to the Circular (as the Plan of Arrangement may be, or may have been, modified or amended in accordance with its terms), is hereby authorized, approved and adopted.
3. The arrangement agreement (the “**Arrangement Agreement**”) between Tethyan and Adriatic Metals plc, dated June 12, 2020, and all the transactions contemplated therein, the actions of the directors of Tethyan in approving the Arrangement and the actions of the directors and officers of Tethyan in executing and delivering the Arrangement Agreement and any amendments thereto are hereby confirmed, ratified, authorized and approved.
4. Notwithstanding that this resolution has been passed (and the Arrangement approved) by the shareholders of Tethyan or that the Arrangement has been approved by the British Columbia Supreme Court, the directors of Tethyan are hereby authorized and empowered, without further notice to, or approval of, the securityholders of Tethyan:
 - (i) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement or the Plan of Arrangement; or
 - (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement.
5. Any director or officer of Tethyan is hereby authorized and directed for and on behalf of Tethyan to execute, whether under corporate seal of Tethyan or otherwise, and to deliver such records, documents and information as are necessary or desirable to the Registrar of Companies under the BCBCA in accordance with the Arrangement Agreement for filing.
6. Any one or more directors or officers of Tethyan is hereby authorized, for and on behalf and in the name of Tethyan, to execute and deliver, whether under corporate seal of Tethyan or otherwise, all such agreements, forms waivers, notices, certificates, confirmations and other documents and instruments and to do or cause to be done all such other acts and things as in the opinion of such director or officer may be necessary, desirable or useful for the purpose of giving effect to these resolutions, the Arrangement Agreement and the completion of the Plan of Arrangement in accordance with the terms of the Arrangement Agreement, including:
 - (i) all actions required to be taken by or on behalf of Tethyan, and all necessary filings and obtaining the necessary approvals, consents and acceptances of appropriate regulatory authorities; and
 - (ii) the signing of the certificates, consents and other documents or declarations required under the Arrangement Agreement or otherwise to be entered into by Tethyan;

such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

Schedule "B"
PLAN OF ARRANGEMENT
UNDER SECTION 288 OF THE
BUSINESS CORPORATIONS ACT (BRITISH COLUMBIA)

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, unless the context otherwise requires, capitalized terms used but not defined shall have the meanings ascribed to them below:

“**Adriatic**” means Adriatic Metals plc, a public limited company incorporated under the Laws of England and Wales;

“**Adriatic Option Plan**” means Adriatic’s Option Plan 2019, as may be amended from time to time;

“**Adriatic Shares**” means the ordinary shares of Adriatic;

“**Arrangement**” means the arrangement of Tethyan under Section 288 of the BCBCA on the terms and subject to the conditions set out in this Plan of Arrangement, subject to any amendments or variations thereto made in accordance with Section 8.4 of the Arrangement Agreement or this Plan of Arrangement or made at the direction of the Court in the Final Order (provided that any amendment or variation is acceptable to both Tethyan and Adriatic acting reasonably);

“**Arrangement Agreement**” means the arrangement agreement dated June 12, 2020 between Adriatic and Tethyan, as may be amended and restated or supplemented prior to the Effective Date;

“**Arrangement Resolution**” means the special resolution of the Tethyan Shareholders approving the Plan of Arrangement which is to be considered at the Tethyan Meeting;

“**ASX**” means the Australian Securities Exchange;

“**BCBCA**” means the *Business Corporations Act* (British Columbia) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time;

“**Business Day**” means any day other than a Saturday, a Sunday or a statutory or civic holiday in Vancouver, British Columbia or a bank holiday in London, England;

“**Consideration**” means 0.166 of an Adriatic Share per Tethyan Share;

“**Consideration Shares**” means the Adriatic Shares to be issued in exchange for Tethyan Shares pursuant to the Arrangement;

“**Court**” means the Supreme Court of British Columbia;

“**Depository**” means Computershare Trust Company of Canada, or such other depository as Adriatic may determine;

“**Dissent Rights**” shall have the meaning ascribed thereto in Section 4.1(a) hereof;

“**Dissenting Shareholder**” means a registered Tethyan Shareholder who dissents in respect of the Arrangement in strict compliance with the Dissent Rights pursuant to Article 4 of this Plan of Arrangement and the Interim Order and who has not withdrawn or have been deemed to have withdrawn such exercise of such Dissent Rights and who is ultimately entitled to be paid fair value for their Tethyan Shares;

“Effective Date” means the effective date of the Arrangement, which shall be the second (2nd) Business Day following the date on which all of the conditions precedent to the completion of the Arrangement contained in Article 6 of the Arrangement Agreement have been satisfied or waived in accordance with the Arrangement Agreement (other than those conditions which cannot, by their terms, be satisfied until the Effective Date, but subject to satisfaction or waiver of such conditions as of the Effective Date), or such other date as may be mutually agreed by the Parties;

“Effective Time” means 12:01 a.m. (Vancouver time) on the Effective Date, or such other time as may be mutually agreed by Tethyan and Adriatic;

“Exchange Ratio” means 0.166;

“Final Order” means the final order of the Court, after a hearing upon the fairness of the terms and conditions of the Arrangement, in a form acceptable to Tethyan and Adriatic, each acting reasonably, approving the Arrangement, as such order may be amended by the Court at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended on appeal (provided that any such amendment is acceptable to both Parties acting reasonably);

“Final Proscription Date” shall have the meaning ascribed thereto in Section 5.5 hereof;

“Former Tethyan Shareholders” means, at and following the Effective Time, the registered holders of Tethyan Shares immediately prior to the Effective Time;

“Governmental Entity” means: (a) any multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau, agency or entity, domestic or foreign; (b) any stock exchange, including the TSXV; (c) any subdivision, agent, commission, board or authority of any of the foregoing; or (d) any quasi-governmental or private body, including any tribunal, commission, regulatory agency or self-regulatory organization, exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

“Interim Order” means the interim order of the Court contemplated by Section 2.2 of the Arrangement Agreement and made pursuant to Section 291 of the BCBCA, in a form acceptable to Tethyan and Adriatic, each acting reasonably, providing for, among other things, the calling and holding of the Tethyan Meeting, as the same may be amended by the Court with the consent of Tethyan and Adriatic, each acting reasonably;

“In-The-Money Amount” in respect of a Tethyan Option means the amount, if any, by which the volume weighted average trading price of the Tethyan Shares on the TSXV for the five (5) trading day period immediately prior to the Effective Date exceeds the aggregate exercise price of the option;

“Law” or “Laws” means all laws (including common law), by-laws, statutes, rules, regulations, principles of law and equity, orders, rulings, ordinances, judgments, injunctions, determinations, awards, decrees or other requirements, whether domestic or foreign, and the terms and conditions of any permit of or from any Governmental Entity, and the term **“applicable”**, with respect to such Laws and in a context that refers to a Party, means such Laws as are applicable to such Party and/or its subsidiaries or their business, undertaking, property or securities and emanate from a Person having jurisdiction over the Party and/or its subsidiaries or its or their business, undertaking, property or securities;

“Letter of Transmittal” means the letter of transmittal to be forwarded by Tethyan to Former Tethyan Shareholders, together with the Tethyan Circular, or such other equivalent form of letter of transmittal acceptable to Adriatic acting reasonably;

“Liens” means any hypothecs, mortgages, pledges, assignments, liens, charges, security interests, encumbrances and adverse rights or claims, other third party interest or encumbrance of any kind, whether contingent or absolute, and any agreement, option, right or privilege (whether by Law, contract or otherwise) capable of becoming any of the foregoing;

“**LSE**” means the London Stock Exchange;

“**Parties**” means Tethyan and Adriatic, and “**Party**” means either of them;

“**Person**” includes an individual, partnership, association, body corporate, trustee, executor, administrator, legal representative, government (including any Governmental Entity) or any other entity, whether or not having legal status;

“**Replacement Option**” shall have the meaning ascribed thereto in Section 3.1(e) hereof;

“**Replacement Warrant**” shall have the meaning ascribed thereto in Section 3.1(f) hereof;

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time;

“**Tethyan**” means Tethyan Resource Corp., a company existing under the BCBCA;

“**Tethyan Circular**” means the notice of the Tethyan Meeting and accompanying management information circular, including all schedules, appendices and exhibits thereto and enclosures therewith, to be sent to the Tethyan Shareholders in connection with the Tethyan Meeting, as may be amended, supplemented or otherwise modified from time to time;

“**Tethyan Meeting**” means the special meeting of Tethyan Shareholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution;

“**Tethyan Option Plan**” means Tethyan’s 2019 Stock Option Plan, last approved by Tethyan Shareholders on May 20, 2019;

“**Tethyan Options**” means, at any time, stock options to acquire Tethyan Shares granted under the Tethyan Option Plan, which are, at such time, outstanding and unexercised;

“**Tethyan Shareholders**” means the holders of Tethyan Shares;

“**Tethyan Shares**” means the Common Shares Without Par Value in the capital of Tethyan;

“**Tethyan Warrants**” means, at any time, warrants to purchase Tethyan Shares, which are, at such time, outstanding and unexercised, and, including any rights to acquire Tethyan Shares pursuant to warrants previously issued by Tethyan Resources PLC, which by their terms are exercisable into Tethyan Shares as a result of the transaction completed under the scheme of arrangement dated June 3, 2019 between Tethyan Resources PLC and the shareholders thereof; and

“**TSXV**” means the TSX Venture Exchange.

In addition, words and phrases used herein and defined in the BCBCA and not otherwise defined herein or in the Arrangement Agreement shall have the same meaning herein as in the BCBCA unless the context otherwise requires.

1.2 Interpretation Not Affected by Headings

The division of this Plan of Arrangement into Articles, Sections, paragraphs and subparagraphs and the insertion of headings herein are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement. The terms “this Plan of Arrangement”, “hereof”, “herein”, “hereto”, “hereunder” and similar expressions refer to this Plan of Arrangement and not to any particular Article, Section or other portion hereof and include any instrument supplementary or ancillary hereto.

1.3 Number, Gender and Persons

In this Plan of Arrangement, unless the contrary intention appears, words importing the singular shall include the plural and vice versa, words importing gender include all genders and the word Person and words importing persons shall include a natural person, firm, trust, partnership, association, corporation, joint venture or government (including any Governmental Entity) and any other entity or group of Persons of any kind or nature whatsoever.

1.4 Date for any Action

If the date on which any action is required to be taken hereunder by a Party is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

1.5 Statutory References

Any reference in this Plan of Arrangement to a statute includes all regulations made thereunder, all amendments to such statute or regulation in force from time to time and any statute or regulation that supplements or supersedes such statute or regulation.

1.6 Currency

Unless otherwise indicated, all amounts herein are in Canadian dollars. All references to “dollars” or “\$” are to the lawful currency of Canada and “£” or “Sterling” are to the lawful currency of the United Kingdom of Great Britain and Northern Ireland.

1.7 Time

Time shall be of the essence in every matter or action contemplated hereunder. All times expressed herein are local time in Vancouver, British Columbia unless otherwise stipulated herein.

1.8 Governing Law

This Plan of Arrangement shall be governed by and construed in accordance with the Laws of the Province of British Columbia and the federal Laws of Canada generally applicable in British Columbia.

ARTICLE 2 ARRANGEMENT AGREEMENT

2.1 Arrangement Agreement

This Plan of Arrangement is made pursuant to, and is subject to the provisions of, the Arrangement Agreement, except in respect of the sequence of the steps comprising the Arrangement, which shall occur in the order set forth herein.

2.2 Binding Effect

This Plan of Arrangement will become effective at, and be binding at and after, the Effective Time on:

- (a) Tethyan;
- (b) Adriatic;
- (c) all registered and beneficial Tethyan Shareholders, including Dissenting Shareholders; and
- (d) all holders of Tethyan Options and Tethyan Warrants.

ARTICLE 3 ARRANGEMENT

3.1 Arrangement

At the Effective Time, except as otherwise provided herein, the following shall occur and shall be deemed to occur sequentially, in the following order, without any further act or formality required on the part of any Person, in each case effective as at the Effective Time:

- (a) each Tethyan Share in respect of which a Dissenting Shareholder has validly exercised his, her or its Dissent Rights shall be deemed to be directly transferred and assigned by such Dissenting Shareholder, without any further act or formality on its part, to Adriatic (free and clear of any Liens) in accordance with Article 4 hereof;
- (b) each Tethyan Share (other than any Tethyan Shares in respect of which a Dissenting Shareholder has validly exercised his, her or its Dissent Rights) shall be deemed to be transferred and assigned to Adriatic (free and clear of any Liens) in exchange for the Consideration, subject to Article 4 hereof;
- (c) with respect to each Tethyan Share transferred and assigned in accordance with Sections 3.1(a) or 3.1(b) hereof:
 - (i) the registered holder thereof shall cease to be the registered holder of such Tethyan Share and the name of such registered holder shall be removed from the central securities register of Tethyan Shareholders as of the Effective Time;
 - (ii) the registered holder thereof shall be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to transfer and assign such Tethyan Share in accordance with Sections 3.1(a) or 3.1(b) hereof, as applicable; and
 - (iii) Adriatic will be the holder of all of the outstanding Tethyan Shares and the central securities register of Tethyan Shareholders shall be revised accordingly;
- (d) each Tethyan Shareholder will be the holder of the aggregate number of Adriatic Shares issued to such Tethyan Shareholder pursuant to Sections 3.1(b) hereof and the central securities register of Adriatic will be revised accordingly;
- (e) each Tethyan Option shall, without any further action on the part of any holder of Tethyan Options, be exchanged for an option granted by Adriatic to purchase from Adriatic (a “**Replacement Option**”) under Adriatic's Option Plan 2019 the number of Adriatic Shares (rounded down to the nearest whole number) equal to the Exchange Ratio, multiplied by the number of Tethyan Shares subject to such Tethyan Option immediately prior to the Effective Time, at an exercise price per Adriatic Share (rounded up to the nearest whole penny) equal to (i) the exercise price per Tethyan Share otherwise purchasable pursuant to such Tethyan Option immediately prior to the Effective Time, divided by (ii) the Exchange Ratio. The exercise prices of the Replacement Options will be expressed, and payable, in Sterling, with such exercise prices converted from Canadian dollars to Sterling based upon the “Daily Spot Exchange Rate” for the Canadian dollar against Sterling published by the Bank of England on the Effective Date. Notwithstanding anything else herein, the terms of the Adriatic Option Plan shall apply, govern and supersede the terms of any Adriatic Options issued pursuant to the Arrangement. If the exchange of the Tethyan Options contemplated by this Section 3.1(e) results in a disposition of Tethyan Options for Replacement Options, it is intended that the provisions of subsection 7(1.4) of the Tax Act apply to any such disposition. Therefore, in the event that the In-The-Money Amount in respect of a Replacement Option immediately after the Effective Time exceeds the In-The-Money Amount in respect of the Tethyan Option immediately before the Effective Time, the exercise price of a Replacement Option will be increased such that the In-The-Money Amount of the Replacement Option immediately after the Effective Time does not exceed the In-The-Money Amount of the Tethyan Option immediately before the Effective Time. Except as provided in this Section 3.1(e), the term to expiry and, subject to compliance with listing conditions of the LSE and the ASX, the conditions to and

manner of exercising, vesting schedule and all other terms and conditions of such Replacement Options will be the same as the Tethyan Option for which it was exchanged, and Adriatic shall, thereafter, issue a holding statement to each holder of a Replacement Option to evidence such Replacement Option;

- (f) each Tethyan Warrant shall, without any further action on the part of any holder of Tethyan Warrants, be exchanged for a warrant granted by Adriatic to purchase from Adriatic (a “**Replacement Warrant**”) the number of Adriatic Shares (rounded down to the nearest whole number) equal to the Exchange Ratio, multiplied by the number of Tethyan Shares subject to such Tethyan Warrant immediately prior to the Effective Time, at an exercise price per Adriatic Share (rounded up to the nearest whole penny) equal to (i) the exercise price per Tethyan Share otherwise purchasable pursuant to such Tethyan Warrant immediately prior to the Effective Time, divided by (ii) the Exchange Ratio. The exercise prices of the Replacement Warrants will be expressed, and payable, in Sterling, with such exercise prices converted, where necessary, from Canadian dollars to Sterling based upon the “Daily Spot Exchange Rate” for the Canadian dollar against Sterling published by the Bank of England on the Effective Date. Except as provided in this Section 3.1(f), the term to expiry and, subject to compliance with listing conditions of the LSE and the ASX, the conditions to and manner of exercising and all other terms and conditions of such Replacement Warrants will be the same as the Tethyan Warrants for which it was exchanged, and Adriatic shall, thereafter, issue a holding statement to each holder of a Replacement Warrant to evidence such Replacement Warrant; and
- (g) with respect to each Tethyan Option and Tethyan Warrant exchanged in accordance with Sections 3.1(e) or 3.1(f) hereof:
 - (i) the registered holder of such Tethyan Option or Tethyan Warrant immediately prior to such exchange shall cease to be the registered holder thereof, the name of such registered holder shall be removed from the register maintained by or on behalf of Tethyan or its subsidiaries in respect thereof and the Tethyan Options and Tethyan Warrants shall be cancelled;
 - (ii) the registered holder of such Tethyan Option or Tethyan Warrant immediately prior to such exchange shall be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to exchange such Tethyan Option or Tethyan Warrant with Adriatic for the Replacement Option or the Replacement Warrant, respectively; and
 - (iii) the name of the registered holder of such Tethyan Option or Tethyan Warrant immediately prior to such exchange shall be added to the register maintained by or behalf of Adriatic in respect of the Replacement Option or the Replacement Warrant, respectively.

3.2 Post-Effective Time Procedures

- (a) Following the receipt of the Final Order and prior to the Effective Date, Adriatic shall deliver or arrange to be delivered to the Depository certificate(s) or other evidence of ownership representing the Adriatic Shares required to be issued to Former Tethyan Shareholders in accordance with the provisions of Section 5.1(a) hereof, which certificate(s) or other evidence of ownership shall be held by the Depository as agent and nominee for such Former Tethyan Shareholders for distribution to such Former Tethyan Shareholders in accordance with the provisions of Article 5 hereof.
- (b) Subject to the provisions of Article 5 hereof, and upon return of a properly completed Letter of Transmittal by a registered Former Tethyan Shareholder together with certificates representing Tethyan Shares and such other documents as the Depository may require, Former Tethyan Shareholders shall be entitled to receive delivery of the certificate(s) or other evidence of ownership representing the Adriatic Shares to which they are entitled pursuant to Section 3.1(b) hereof.

3.3 No Fractional Adriatic Shares

In no event shall any holder of Tethyan Shares be entitled to a fractional Consideration Share. Where the aggregate number of Consideration Shares to be issued to a Former Tethyan Shareholder as consideration under this Arrangement would result in a fraction of a Consideration Share being issuable, such Former Tethyan Shareholder

will have its Consideration Shares rounded down to the next whole number and such Former Tethyan Shareholder shall not receive cash or any other compensation in lieu of such fractional share.

ARTICLE 4 DISSENT RIGHTS

4.1 Rights of Dissent

- (a) Pursuant to the Interim Order, notwithstanding Section 3.1 hereof, registered Tethyan Shareholders may exercise rights of dissent (“**Dissent Rights**”) under Division 2 of Part 8 of the BCBCA, as the same may be modified by this Article 4, the Interim Order and the Final Order, with respect to Tethyan Shares in connection with the Arrangement, provided that the written notice setting forth the objection of such registered Tethyan Shareholders to the Arrangement and exercise of Dissent Rights contemplated by Section 242 of the BCBCA must be received by Tethyan not later than 5:00 p.m. (Vancouver time) on the Business Day that is two (2) Business Days before the Tethyan Meeting or any date to which the Tethyan Meeting may be postponed or adjourned and provided further that registered Tethyan Shareholders who exercise such Dissent Rights and who:
 - (i) are ultimately entitled to be paid fair value for their Tethyan Shares, which fair value shall be the fair value of such Tethyan Shares immediately before the passing by the Tethyan Shareholders of the Arrangement Resolution, shall be paid an amount in cash equal to such fair value by Adriatic; and
 - (ii) are ultimately not entitled, for any reason, to be paid fair value for their Tethyan Shares shall be deemed to have participated in the Arrangement, as of the Effective Time, on the same basis as a non-dissenting holder of Tethyan Shares and shall be entitled to receive only the Consideration contemplated in Section 3.1 hereof that such holders would have received pursuant to the Arrangement if such holders had not exercised Dissent Rights;
- (b) In no circumstances shall Tethyan, Adriatic or any other Person be required to recognize a Person exercising Dissent Rights unless such Person is a registered Tethyan Shareholder in respect of which such rights are sought to be exercised; and
- (c) For greater certainty, in no case shall Tethyan, Adriatic or any other Person be required to recognize Dissenting Shareholders as holders of Tethyan Shares after the Effective Time, and the names of such Dissenting Shareholders shall be deleted from the central securities register of Tethyan Shares as of the Effective Time. For greater certainty, Tethyan Shareholders who vote, or who have instructed a proxyholder to vote, in favour of the Arrangement Resolution shall not be entitled to exercise Dissent Rights.

ARTICLE 5 DELIVERY OF ADRIATIC SHARES

5.1 Delivery of Adriatic Shares

- (a) At or prior to the Effective Time, Adriatic shall deposit with the Depository, for the benefit of the Tethyan Shareholders, certificates(s) or other evidence of ownership representing the aggregate number of Consideration Shares which the Tethyan Shareholders are entitled to receive hereunder. Following the later of the Effective Date and the surrender to the Depository for cancellation of a certificate which immediately prior to the Effective Time represented outstanding Tethyan Shares that were exchanged under the Arrangement, together with a duly completed and executed Letter of Transmittal and such additional documents and instruments as the Depository may reasonably require, the Tethyan Shareholder of such surrendered certificate will be entitled to receive in exchange therefor the Consideration Shares which such Tethyan Shareholder has the right to receive under the Arrangement for such Tethyan Shares, less any amounts withheld pursuant to Section 5.4 hereof and any certificate so surrendered will forthwith be cancelled.

- (b) Upon surrender to the Depositary for cancellation of a certificate that immediately before the Effective Time represented one or more outstanding Tethyan Shares that were exchanged for Adriatic Shares in accordance with Section 5.1(a) hereof, together with such other documents and instruments as would have been required to effect the transfer of the Tethyan Shares formerly represented by such certificate under the BCBCA and the articles of Tethyan and such additional documents and instruments as the Depositary may reasonably require, the holder of such surrendered certificate shall be entitled to receive in exchange therefor, and the Depositary shall deliver to such holder following the Effective Time, certificate(s) or other evidence of ownership representing the Consideration Shares that such holder is entitled to receive in accordance with Section 3.1(b) hereof.
- (c) After the Effective Time and until surrendered for cancellation as contemplated by Section 5.1(b) hereof, each certificate that immediately prior to the Effective Time represented one or more Tethyan Shares shall be deemed at all times to represent only the right to receive in exchange therefor the Consideration that the holder of such certificate is entitled to receive in accordance with Section 3.1(b) hereof.

5.2 Lost Certificates

If any certificate, that immediately prior to the Effective Time represented one or more outstanding Tethyan Shares that were exchanged for the Consideration in accordance with Section 3.1 hereof, shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the holder claiming such certificate to be lost, stolen or destroyed, the Depositary shall deliver in exchange for such lost, stolen or destroyed certificate, the Consideration that such holder is entitled to receive in accordance with Section 3.1 hereof. When authorizing such delivery of Consideration that such holder is entitled to receive in exchange for such lost, stolen or destroyed certificate, the holder to whom such Consideration is to be delivered shall, as a condition precedent to the delivery of such Consideration, give a bond satisfactory to Adriatic and the Depositary in such amount as Adriatic and the Depositary may direct, or otherwise indemnify Adriatic and the Depositary in a manner satisfactory to Adriatic and the Depositary, against any claim that may be made against Adriatic or the Depositary with respect to the certificate alleged to have been lost, stolen or destroyed and shall otherwise take such actions as may be required by the articles and notice of articles of Adriatic.

5.3 Distributions with Respect to Unsurrendered Certificates

No dividend or other distribution declared or made after the Effective Time with respect to Adriatic Shares with a record date after the Effective Time shall be delivered to the holder of any unsurrendered certificate that, immediately prior to the Effective Time, represented outstanding Tethyan Shares unless and until the holder of such certificate shall have complied with the provisions of Section 5.1 or Section 5.2 hereof. Subject to applicable Law and to Section 5.4 hereof, at the time of such compliance, there shall, in addition to the delivery of Consideration to which such holder is thereby entitled, be delivered to such holder, without interest, the amount of the dividend or other distribution with a record date after the Effective Time theretofore paid with respect to such Adriatic Shares.

5.4 Withholding Rights

Adriatic, Tethyan and the Depositary shall be entitled to deduct and withhold from any consideration payable or otherwise deliverable to any Person hereunder and from all dividends, interest or other amounts payable to any Former Tethyan Shareholder such amounts as Adriatic, Tethyan or the Depositary is required or permitted to deduct and withhold therefrom under any provision of applicable Laws in respect of taxes. To the extent that such amounts are so deducted, withheld and remitted, such amounts shall be treated for all purposes under this Agreement as having been paid to the Person to whom such amounts would otherwise have been paid. To the extent necessary, such deductions and withholdings may be effected by selling any Adriatic Shares to which any such Person may otherwise be entitled hereunder, and any amount remaining following the sale, deduction and remittance shall be paid to the Person entitled thereto as soon as reasonably practicable.

5.5 Limitation and Proscription

To the extent that a Former Tethyan Shareholder shall not have complied with the provisions of Section 5.1 or Section 5.2 hereof on or before the date that is six (6) years after the Effective Date (the “**Final Proscription Date**”), then the Consideration that such Former Tethyan Shareholder was entitled to receive shall be automatically cancelled without any repayment of capital in respect thereof and the Consideration to which such Former Tethyan Shareholder was entitled shall be delivered to Adriatic by the Depositary and certificates or other evidence of ownership representing Adriatic Shares forming the Consideration shall be cancelled by Adriatic, and the interest of the Former Tethyan Shareholder in such Adriatic Shares to which it was entitled shall be terminated as of such Final Proscription Date.

5.6 No Liens

Any exchange or transfer of securities pursuant to this Plan of Arrangement shall be free and clear of any Liens, charges, security interests, encumbrances, mortgages, hypothecs, restrictions, adverse claims or other claims of third parties of any kind.

5.7 Paramountcy

From and after the Effective Time: (i) this Plan of Arrangement shall take precedence and priority over any and all Tethyan Shares, Tethyan Options and Tethyan Warrants issued prior to the Effective Time; (ii) the rights and obligations of the registered holders of Tethyan Shares, Tethyan Options and Tethyan Warrants, and Tethyan, Adriatic, the Depositary and any transfer agent or other depositary therefor in relation thereto, shall be solely as provided for in this Plan of Arrangement; and (iii) all actions, causes of action, claims or proceedings (actual or contingent and whether or not previously asserted) based on or in any way relating to any Tethyan Shares, Tethyan Options or Tethyan Warrants shall be deemed to have been settled, compromised, released and determined without liability except as set forth herein.

5.8 Calculations

All calculations and determinations made by Adriatic, Tethyan or the Depositary, as applicable, for the purposes of this Plan of Arrangement shall be conclusive, final and binding.

ARTICLE 6 AMENDMENTS

6.1 Amendments to Plan of Arrangement

- (a) Adriatic and Tethyan reserve the right to amend, modify or supplement this Plan of Arrangement at any time and from time to time, provided that each such amendment, modification or supplement must be: (i) set out in writing; (ii) agreed to in writing by Adriatic and Tethyan; (iii) filed with the Court and, if made following the Tethyan Meeting, approved by the Court; and (iv) communicated to holders or former holders of Tethyan Shares if and as required by the Court.
- (b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Tethyan at any time prior to the Tethyan Meeting provided that Adriatic shall have consented thereto in writing, with or without any other prior notice or communication, and, if so proposed and accepted by the Persons voting at the Tethyan Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.
- (c) Any amendment, modification or supplement to this Plan of Arrangement that is approved by the Court following the Tethyan Meeting shall be effective only if: (i) it is consented to in writing by each of Adriatic and Tethyan; (ii) it is filed with the Court; and (iii) if required by the Court, it is consented to by holders of the Tethyan Shares voting in the manner directed by the Court.

- (d) Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Time unilaterally by Adriatic, provided that it concerns a matter that, in the reasonable opinion of Adriatic, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the economic interest of any Former Tethyan Shareholder or former holder of Tethyan Options or Tethyan Warrants.
- (e) This Plan of Arrangement may be withdrawn prior to the Effective Time in accordance with the terms of the Arrangement Agreement.

ARTICLE 7 FURTHER ASSURANCES

7.1 Further Assurances

Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the Parties shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order further to document or evidence any of the transactions or events set out therein.

Schedule "C"

INTERIM ORDER

See Attached.



No. VLC-S-S-206649
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTION 288 OF THE *BUSINESS CORPORATIONS ACT*,
S.B.C. 2002, CHAPTER 57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING
TETHYAN RESOURCE CORP.
AND ADRIATIC METALS PLC

TETHYAN RESOURCE CORP.

PETITIONER

ORDER MADE AFTER APPLICATION

BEFORE MASTER SCARTH) 13/Jul/2020
)
)

ON THE APPLICATION of the Petitioner, Tethyan Resource Corp. ("**Tethyan**") for an Interim Order pursuant to its Petition filed on July 9, 2020.

[x] without notice coming on for hearing at Vancouver, British Columbia on July 13, 2020 and on hearing Sean K. Boyle, counsel for the Petitioner and upon reading the Petition herein and the Affidavit of Susy Horna sworn on July 9, 2020 and filed herein (the “**Horna Affidavit**”); and upon being advised that it is the intention of Adriatic Metals plc (“**Adriatic**”) to rely upon Section 3(a)(10) of the *United States Securities Act of 1933*, as amended (the “**1933 Act**”) as a basis for an exemption from the registration requirements of the 1933 Act with respect to securities of Adriatic issued under the proposed Plan of Arrangement based on the Court’s approval of the Arrangement;

THIS COURT ORDERS THAT:

DEFINITIONS

1. As used in this Interim Order, unless otherwise defined, terms beginning with capital letters have the respective meanings set out in the management information circular (the “**Circular**”) attached as Exhibit “A” to the Horna Affidavit.

MEETING

2. Pursuant to Sections 186, 288, 289, 290 and 291 of the *Business Corporations Act*, S.B.C., 2002, c. 57, as amended (the “**BCBCA**”), Tethyan is authorized and directed to call, hold and conduct an annual general and special meeting (the “**Meeting**”) of the holders (“**Tethyan Shareholders**”) of common shares without par value of in the capital of Tethyan (the “**Shares**”) to be held at 10:00 a.m. (Pacific time) on August 17, 2020 virtually via telephone conference by calling 1-877-407-2991 (toll-free in Canada and the United States) or 201-389-0925, facilitated by InComm Conferencing, Inc. (“**InComm**”):

- (a) to consider and, if thought advisable, to pass, with or without variation, a special resolution (the “**Arrangement Resolution**”) of the Tethyan Shareholders approving an arrangement (the “**Arrangement**”) under Division 5 of Part 9 of the BCBCA, the full text of which is set forth in Schedule “A” to the Circular; and
- (b) to transact such further or other business, including amendments to the foregoing, as may properly be brought before the Meeting or any adjournment or postponement thereof.

3. The Meeting will be called, held and conducted in accordance with the BCBCA, the articles of Tethyan and the Circular subject to the terms of this Interim Order, and any further order of this Court, and the rulings and directions of the Chair of the Meeting, such rulings and directions not to be inconsistent with this Interim Order. Tethyan may hold the Meeting by electronic communication facility provided by InComm.

ADJOURNMENT

4. Notwithstanding the provisions of the BCBCA and the articles of Tethyan, and subject to the terms of the Arrangement Agreement, Tethyan, if it deems advisable, is specifically authorized to adjourn or postpone the Meeting on one or more occasions, without the necessity of first convening the Meeting or first obtaining any vote of the Tethyan Shareholders respecting

such adjournment or postponement and without the need for approval of the Court. Notice of any such adjournments or postponements will be given by news release, newspaper advertisement, or by notice sent to Tethyan Shareholders and holders of Tethyan Options and holders of Tethyan Warrants (collectively, the “**Tethyan Securityholders**”) by one of the methods specified in paragraphs 9 and 10 of this Interim Order.

5. The Record Date (as defined in paragraph 7 below) will not change in respect of any adjournments or postponements of the Meeting.

AMENDMENTS

6. Prior to the Meeting, Tethyan is authorized to make such amendments, revisions or supplements to the proposed Arrangement and the Plan of Arrangement, in accordance with the terms of the Arrangement Agreement, without any additional notice to the Tethyan Shareholders or the Tethyan Securityholders, and the Arrangement and Plan of Arrangement as so amended, revised and supplemented will be the Arrangement and Plan of Arrangement submitted to the Meeting, and the subject of the Arrangement Resolution.

RECORD DATE

7. The record date for determining the Tethyan Shareholders entitled to receive notice of, attend and vote at the Meeting will be close of business on July 3, 2020 (the “**Record Date**”).

NOTICE OF MEETING

8. The Circular is hereby deemed to represent sufficient and adequate disclosure, including for the purpose of Section 290(1)(a) of the BCBCA, and Tethyan will not be required to send to the Tethyan Shareholders or Tethyan Securityholders any other or additional statement pursuant to Section 290(1)(a) of the BCBCA.

9. The Circular, the form of proxy, letter of transmittal, and the Notice of Hearing of Petition (collectively referred to as the “**Meeting Materials**”), in substantially the same form as contained in Exhibits “A”, “B”, “C” and “D” to the Horna Affidavit, with such deletions, amendments or additions thereto as counsel for Tethyan may advise are necessary or desirable, provided that such amendments are not inconsistent with the terms of this Interim Order, will be sent to:

- (a) the registered Tethyan Shareholders as they appear on the central securities register of Tethyan or the records of its registrar and transfer agent as at the close

of business on the Record Date, but not to Shareholders who Tethyan, on two consecutive occasions, have sent a record but had such record returned because the shareholder could not be located, the Meeting Materials to be sent at least twenty-one (21) days prior to the date of the Meeting, excluding the date of mailing, delivery or transmittal and the date of the Meeting, by one or more of the following methods:

- (i) by prepaid ordinary or air mail addressed to the Tethyan Shareholders at their addresses as they appear in the applicable records of Tethyan or its registrar and transfer agent as at the Record Date;
 - (ii) by delivery in person or by courier to the addresses specified in paragraph 9 (a)(i) above; or
 - (iii) by email or facsimile transmission to any Tethyan Shareholders who has previously identified himself, herself or itself to the satisfaction of Tethyan acting through its representatives, who requests such email or facsimile transmission and the in accordance with such request;
- (b) in the case of non-registered Tethyan Shareholders, by providing copies of the Meeting Materials to intermediaries and registered nominees for sending to such beneficial owners in accordance with the procedures prescribed by *National Instrument 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer of the Canadian Securities Administrators* at least three (3) Business Days prior to the twenty-first (21st) day prior to the date of the Meeting; and
- (c) the directors and auditors of Tethyan by mailing the Meeting Materials by prepaid ordinary mail, or by email or facsimile transmission, to such persons at least twenty-one (21) days prior to the date of the Meeting, excluding the date of mailing or transmittal;

and substantial compliance with this paragraph will constitute good and sufficient notice of the Meeting.

10. The Circular and Notice of Hearing of Petition in substantially the same form as contained in Exhibits “A” and “D”, respectively, to the Horna Affidavit, with such deletions,

amendments or additions thereto as counsel for Tethyan may advise are necessary or desirable, provided that such amendments are not inconsistent with the terms of this Interim Order (the “**Notice Materials**”), will be sent to the Tethyan Securityholders at least twenty-one (21) days prior to the date of the Meeting, excluding the date of mailing or transmittal.

11. Accidental failure of or omission by Tethyan to give notice to any one or more Tethyan Shareholders or Tethyan Securityholders or any other persons entitled thereto, or the non-receipt of such notice by one or more Tethyan Shareholders or Tethyan Securityholders or any other persons entitled thereto, or any failure or omission to give such notice as a result of events beyond the reasonable control of Tethyan (including, without limitation, any inability to use postal services), will not constitute a breach of this Interim Order or a defect in the calling of the Meeting, and will not invalidate any resolution passed or proceeding taken at the Meeting, but if any such failure or omission is brought to the attention of Tethyan, then it will use reasonable best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

12. Provided that notice of the Meeting is given and the Meeting Materials and Notice Materials are provided to the Tethyan Shareholders or Tethyan Securityholders and other persons entitled thereto in compliance with this Interim Order, the requirement of Section 290(1)(b) of the BCBCA to include certain disclosure in any advertisement of the meeting is waived.

DEEMED RECEIPT OF NOTICE

13. The Meeting Materials and Notice Materials will be deemed, for the purposes of this Interim Order, to have been served upon and received:

- (a) in the case of mailing pursuant to paragraph 9(a)(i) above, the day, Saturdays, Sundays and holidays excepted, following the date of mailing;
- (b) in the case of delivery in person pursuant to paragraph 9(a)(ii) above, the day following personal delivery or, in the case of delivery by courier, the day following delivery to the person’s address in paragraph 9 above; and
- (c) in the case of any means of transmitted, recorded or electronic communication pursuant to paragraph 9(a)(iii) above, when dispatched or delivered for dispatch.

UPDATING MEETING MATERIALS

14. Notice of any amendments, updates or supplement to any of the information provided in the Meeting Materials and Notice Materials, including but not limited changes to the format of the Meeting, may be communicated to the Tethyan Shareholders or Tethyan Securityholders or other persons entitled thereto by news release, newspaper advertisement or by notice sent to the Tethyan Shareholders or Tethyan Securityholders or other persons entitled thereto by any of the means set forth in paragraphs 9 and 10 of this Interim Order, as determined to be the most appropriate method of communication by the Board of Directors of Tethyan.

QUORUM AND VOTING

15. The quorum required at the Meeting will be one person who is a Tethyan Shareholder, or who is otherwise permitted to vote Shares at a meeting of Tethyan Shareholders, present in person or by proxy.

16. The vote required to pass the Arrangement Resolution will be the affirmative vote of at least two-thirds of the votes cast by Tethyan Shareholders, present in person or represented by proxy and entitled to vote at the Meeting, voting together as one class on the basis of one vote per Share held.

17. In all other respects, the terms, restrictions and conditions set out in the articles of Tethyan will apply in respect of the Meeting.

PERMITTED ATTENDEES

18. The only persons entitled to attend the Meeting will be (i) the Tethyan Shareholders or their respective proxyholders as of the Record Date, (ii) Tethyan's directors, officers, auditors and advisors, (iii) representatives of Adriatic; and (iv) any other person admitted on the invitation of the Chair of the Meeting or with the consent of the Chair of the Meeting, and the only persons entitled to be represented and to vote at the Meeting will be the Tethyan Shareholders as at the close of business on the Record Date, or their respective proxyholders.

SCRUTINEERS

19. Representatives of Tethyan's registrar and transfer agent (or any agent thereof) are authorized to act as scrutineers for the Meeting.

SOLICITATION OF PROXIES

20. Tethyan is authorized to use the form of proxy and letter of transmittal in connection with the Meeting, in substantially the same forms as attached as Exhibit “B” and “C” to the Horna Affidavit and Tethyan may in its discretion waive generally the time limits for deposit of proxies by Tethyan Shareholders if Tethyan deems it reasonable to do so. Tethyan is authorized, at its expense, to solicit proxies, directly and through its officers, directors and employees, and through such agents or representatives as it may retain for the purpose, and by mail or such other forms of personal or electronic communication as it may determine.

21. The procedure for the use of proxies at the Meeting will be as set out in the Meeting Materials. Tethyan may in its discretion waive the time limits for the deposit of proxies by Tethyan Shareholders if Tethyan deems it advisable to do so, such waiver to be endorsed on the proxy by the initials of the Chair of the Meeting.

DISSENT RIGHTS

22. Each registered Tethyan Shareholder will have the right to dissent in respect of the Arrangement Resolution in accordance with the provisions of Sections 237-247 of the BCBCA, as modified by the terms of this Interim Order, the Plan of Arrangement and the Final Order.

23. Registered Tethyan Shareholders will be the only Tethyan Shareholders entitled to exercise rights of dissent. A beneficial holder of Tethyan Shares registered in the name of a broker, custodian, trustee, nominee or other intermediary who wishes to dissent must make arrangements for the registered Tethyan Shareholder to dissent on behalf of the beneficial holder of Tethyan Shares or, alternatively, make arrangements to become a registered Tethyan Shareholder.

24. In order for a registered Tethyan Shareholder to exercise such right of dissent (the “Dissent Right”):

- (a) a Dissenting Tethyan Shareholder must deliver a written notice of dissent which must be received by Tethyan c/o Morton Law LLP, 1200 – 750 West Pender Street, Vancouver, British Columbia V6C 2T8 (Attention: Jed M. Hops), by 5:00 p.m. (Pacific time) on August 12, 2020 or, in the case of any adjournment or postponement of the Meeting, the date which is two business days prior to the date of the Meeting; a vote against the Arrangement Resolution or an abstention will not constitute written notice of dissent;

- (b) a Dissenting Tethyan Shareholder must not have voted his, her or its Tethyan Shares at the Meeting, either by proxy or in person, in favour of the Arrangement Resolution;
- (c) a Dissenting Tethyan Shareholder must dissent with respect to all of the Tethyan Shares held by such person; and
- (d) the exercise of such Dissent Right must otherwise comply with the requirements of Sections 237 to 247 of the BCBCA, as modified by the Plan of Arrangement, this Interim Order and the Final Order.

25. Notice to the Tethyan Shareholders of their Dissent Right with respect to the Arrangement Resolution will be given by including information with respect to the Dissent Right in the Circular to be sent to Tethyan Shareholders in accordance with this Interim Order.

26. Subject to further order of this Court, the rights available to the Tethyan Shareholders under the BCBCA and the Plan of Arrangement to dissent from the Arrangement will constitute full and sufficient Dissent Rights for the Tethyan Shareholders with respect to the Arrangement.

APPLICATION FOR FINAL ORDER

27. Upon the approval, with or without variation, by the Tethyan Shareholders of the Arrangement, in the manner set forth in this Interim Order, Tethyan may apply to this Court for, *inter alia*, an order:

- (a) pursuant to BCBCA Sections 291(4)(a) and 295, approving the Arrangement; and
- (b) pursuant to BCBCA Section 291(4)(c) declaring that the terms and conditions of the Arrangement, and the exchange of securities to be effected by the Arrangement, are procedurally and substantively fair and reasonable to those who will receive securities in the exchange

(collectively, the “**Final Order**”),

and the hearing of the Final Order will be held on August 20, 2020 at 9:45 a.m. (Vancouver time) at the Courthouse at 800 Smithe Street, Vancouver, British Columbia or as soon thereafter as the hearing of the Final Order can be heard, or at such other date and time as this Court may direct.

28. The form of Notice of Hearing of Petition attached to the Horna Affidavit as Exhibit "D" is hereby approved as the form of Notice of Proceedings for such approval. Any Tethyan Shareholder or Tethyan Securityholder has the right to appear (either in person or by counsel) and make submissions at the hearing of the application for the Final Order, subject to the terms of this Interim Order.

29. Any Tethyan Shareholder or Tethyan Securityholder seeking to appear at the hearing of the application for the Final Order must:

- (a) file and deliver a Response to Petition (a "**Response**") in the form prescribed by the *Supreme Court Civil Rules*, and a copy of all affidavits or other materials upon which they intend to rely, to the Petitioner's solicitors at:

Blake, Cassels & Graydon LLP
Barristers & Solicitors
Suite 2600, Three Bentall Centre
595 Burrard Street, PO Box 49314
Vancouver, BC V7X 1L3

Attention: **Sean K. Boyle**

by or before 4:00 p.m. (Pacific time) on August 18, 2020.

30. Sending the Notice of Hearing of Petition and this Interim Order in accordance with paragraphs 9 and 10 of this Interim Order will constitute good and sufficient service of this proceeding and no other form of service need be made and no other material need be served on persons in respect of these proceedings. In particular, service of the Petition herein and the accompanying Affidavit and additional Affidavits as may be filed, is dispensed with.

31. In the event the hearing for the Final Order is adjourned, only those persons who have filed and delivered a Response in accordance with this Interim Order need be provided with notice of the adjourned hearing date and any filed materials.

VARIANCE

32. Tethyan will be entitled, at any time, to apply to vary this Interim Order or for such further order or orders as may be appropriate.

33. To the extent of any inconsistency or discrepancy between this Interim Order and the Circular, the BCBCA, applicable Securities Laws or the articles of Tethyan, this Interim Order will govern.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS INTERIM ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:



Signature of lawyer for Petitioner
Sean K. Boyle

BY THE COURT

Digitally signed by
Scarth, S

Digitally signed by
Leung, Winnie

REGISTRAR

No. VLC-S-S-206649
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA
IN THE MATTER OF SECTION 288 OF THE BUSINESS CORPORATIONS ACT,
S.B.C. 2002, CHAPTER 57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING
TETHYAN RESOURCE CORP.
AND ADRIATIC METALS PLC

TETHYAN RESOURCE CORP.

PETITIONER

INTERIM ORDER

Sean K. Boyle
Blake, Cassels & Graydon LLP
Suite 2600, Three Bentall Centre
595 Burrard Street, PO Box 49314
Vancouver, BC, V7X 1L3
(604) 631-3300

Schedule "D"

DISSENT RIGHTS UNDER THE BCBCA

DIVISION 2 OF PART 8 OF THE BCBCA

Definitions and application

237 (1) In this Division:

“**dissenter**” means a shareholder who, being entitled to do so, sends written notice of dissent when and as required by section 242;

“**notice shares**” means, in relation to a notice of dissent, the shares in respect of which dissent is being exercised under the notice of dissent;

“**payout value**” means,

- (a) in the case of a dissent in respect of a resolution, the fair value that the notice shares had immediately before the passing of the resolution,
- (b) in the case of a dissent in respect of an arrangement approved by a court order made under Section 291(2)(c) that permits dissent, the fair value that the notice shares had immediately before the passing of the resolution adopting the arrangement,
- (c) in the case of a dissent in respect of a matter approved or authorized by any other court order that permits dissent, the fair value that the notice shares had at the time specified by the court order, or
- (d) in the case of a dissent in respect of a community contribution company, the value of the notice shares set out in the regulations,

excluding any appreciation or depreciation in anticipation of the corporate action approved or authorized by the resolution or court order unless exclusion would be inequitable.

(2) This Division applies to any right of dissent exercisable by a shareholder except to the extent that

- (a) the court orders otherwise, or
- (b) in the case of a right of dissent authorized by a resolution referred to in Section 238(1)(g), the court orders otherwise or the resolution provides otherwise.

Right to dissent

238 (1) A shareholder of a company, whether or not the shareholder’s shares carry the right to vote, is entitled to dissent as follows:

- (a) under Section 260, in respect of a resolution to alter the articles
 - (i) to alter restrictions on the powers of the company or on the business the company is permitted to carry on, or
 - (ii) without limiting subparagraph (i), in the case of a community contribution company, to alter any of the company’s community purposes within the meaning of section 51.91;

- (b) under Section 272, in respect of a resolution to adopt an amalgamation agreement;
- (c) under Section 287, in respect of a resolution to approve an amalgamation under Division 4 of Part 9;
- (d) in respect of a resolution to approve an arrangement, the terms of which arrangement permit dissent;
- (e) under Section 301(5), in respect of a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the company's undertaking;
- (f) under Section 309, in respect of a resolution to authorize the continuation of the company into a jurisdiction other than British Columbia;
- (g) in respect of any other resolution, if dissent is authorized by the resolution;
- (h) in respect of any court order that permits dissent.

(2) A shareholder wishing to dissent must

- (a) prepare a separate notice of dissent under Section 242 for
- (b) the shareholder, if the shareholder is dissenting on the shareholder's own behalf, and
- (c) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is dissenting,
- (d) identify in each notice of dissent, in accordance with Section 242(4), the person on whose behalf dissent is being exercised in that notice of dissent, and
- (e) dissent with respect to all of the shares, registered in the shareholder's name, of which the person identified under paragraph (b) of this subsection is the beneficial owner.

(3) Without limiting subsection (2), a person who wishes to have dissent exercised with respect to shares of which the person is the beneficial owner must

- (a) dissent with respect to all of the shares, if any, of which the person is both the registered owner and the beneficial owner, and
- (b) cause each shareholder who is a registered owner of any other shares of which the person is the beneficial owner to dissent with respect to all of those shares.

Waiver of right to dissent

239 (1) A shareholder may not waive generally a right to dissent but may, in writing, waive the right to dissent with respect to a particular corporate action.

(2) A shareholder wishing to waive a right of dissent with respect to a particular corporate action must

- (a) provide to the company a separate waiver for
 - (i) the shareholder, if the shareholder is providing a waiver on the shareholder's own behalf,
 - (ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is providing a waiver, and
- (b) identify in each waiver the person on whose behalf the waiver is made.

(3) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on the shareholder's own behalf, the shareholder's right to dissent with respect to the particular corporate action terminates in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and this Division ceases to apply to

- (a) the shareholder in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and
- (b) any other shareholders, who are registered owners of shares beneficially owned by the first mentioned shareholder, in respect of the shares that are beneficially owned by the first mentioned shareholder.

(4) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on behalf of a specified person who beneficially owns shares registered in the name of the shareholder, the right of shareholders who are registered owners of shares beneficially owned by that specified person to dissent on behalf of that specified person with respect to the particular corporate action terminates and this Division ceases to apply to those shareholders in respect of the shares that are beneficially owned by that specified person.

Notice of resolution

240 (1) If a resolution in respect of which a shareholder is entitled to dissent is to be considered at a meeting of shareholders, the company must, at least the prescribed number of days before the date of the proposed meeting, send to each of its shareholders, whether or not their shares carry the right to vote,

- (a) a copy of the proposed resolution, and
- (b) a notice of the meeting that specifies the date of the meeting, and contains a statement advising of the right to send a notice of dissent.

(2) If a resolution in respect of which a shareholder is entitled to dissent is to be passed as a consent resolution of shareholders or as a resolution of directors and the earliest date on which that resolution can be passed is specified in the resolution or in the statement referred to in paragraph (b), the company may, at least 21 days before that specified date, send to each of its shareholders, whether or not their shares carry the right to vote,

- (a) a copy of the proposed resolution, and
- (b) a statement advising of the right to send a notice of dissent.

(3) If a resolution in respect of which a shareholder is entitled to dissent was or is to be passed as a resolution of shareholders without the company complying with subsection (1) or (2), or was or is to be passed as a directors' resolution without the company complying with subsection (2), the company must, before or within 14 days after the passing of the resolution, send to each of its shareholders who has not, on behalf of every person who beneficially owns shares registered in the name of the shareholder, consented to the resolution or voted in favour of the resolution, whether or not their shares carry the right to vote,

- (a) a copy of the resolution,
- (b) a statement advising of the right to send a notice of dissent, and
- (c) if the resolution has passed, notification of that fact and the date on which it was passed.

(4) Nothing in subsection (1), (2) or (3) gives a shareholder a right to vote in a meeting at which, or on a resolution on which, the shareholder would not otherwise be entitled to vote.

Notice of court orders

241 If a court order provides for a right of dissent, the company must, not later than 14 days after the date on which the company receives a copy of the entered order, send to each shareholder who is entitled to exercise that right of dissent

- (a) a copy of the entered order, and
- (b) a statement advising of the right to send a notice of dissent.

Notice of dissent

242 (1) A shareholder intending to dissent in respect of a resolution referred to in Section 238(1)(a), (b), (c), (d), (e) or (f) must,

- (a) if the company has complied with Section 240(1) or (2), send written notice of dissent to the company at least 2 days before the date on which the resolution is to be passed or can be passed, as the case may be,
- (b) if the company has complied with Section 240(3), send written notice of dissent to the company not more than 14 days after receiving the records referred to in that section, or
- (c) if the company has not complied with Section 240(1), (2) or (3), send written notice of dissent to the company not more than 14 days after the later of:
 - (i) the date on which the shareholder learns that the resolution was passed, and
 - (ii) the date on which the shareholder learns that the shareholder is entitled to dissent.

(2) A shareholder intending to dissent in respect of a resolution referred to in Section 238(1)(g) must send written notice of dissent to the company

- (a) on or before the date specified by the resolution or in the statement referred to in Section 240(2)(b) or (3) (b) as the last date by which notice of dissent must be sent, or
- (b) if the resolution or statement does not specify a date, in accordance with subsection (1) of this section.

(3) A shareholder intending to dissent under Section 238(1)(h) in respect of a court order that permits dissent must send written notice of dissent to the company

- (a) within the number of days, specified by the court order, after the shareholder receives the records referred to in Section 241, or
- (b) if the court order does not specify the number of days referred to in paragraph (a) of this subsection, within 14 days after the shareholder receives the records referred to in Section 241.

(4) A notice of dissent sent under this section must set out the number, and the class and series, if applicable, of the notice shares, and must set out whichever of the following is applicable:

- (a) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner and the shareholder owns no other shares of the company as beneficial owner, a statement to that effect;
- (b) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner but the shareholder owns other shares of the company as beneficial owner, a statement to that effect and

- (i) the names of the registered owners of those other shares,
- (ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and
- (iii) a statement that notices of dissent are being, or have been, sent in respect of all of those other shares;
- (c) if dissent is being exercised by the shareholder on behalf of a beneficial owner who is not the dissenting shareholder, a statement to that effect and
 - (i) the name and address of the beneficial owner, and
 - (ii) a statement that the shareholder is dissenting in relation to all of the shares beneficially owned by the beneficial owner that are registered in the shareholder's name.

(5) The right of a shareholder to dissent on behalf of a beneficial owner of shares, including the shareholder, terminates and this Division ceases to apply to the shareholder in respect of that beneficial owner if subsections (1) to (4) of this Section, as those subsections pertain to that beneficial owner, are not complied with.

Notice of intention to proceed

243 (1) A company that receives a notice of dissent under Section 242 from a dissenter must,

- (a) if the company intends to act on the authority of the resolution or court order in respect of which the notice of dissent was sent, send a notice to the dissenter promptly after the later of
 - (i) the date on which the company forms the intention to proceed, and
 - (ii) the date on which the notice of dissent was received, or
- (b) if the company has acted on the authority of that resolution or court order, promptly send a notice to the dissenter.

(2) A notice sent under subsection (1)(a) or (b) of this section must

- (a) be dated not earlier than the date on which the notice is sent,
- (b) state that the company intends to act, or has acted, as the case may be, on the authority of the resolution or court order, and
- (c) advise the dissenter of the manner in which dissent is to be completed under Section 244.

Completion of dissent

244 (1) A dissenter who receives a notice under Section 243 must, if the dissenter wishes to proceed with the dissent, send to the company or its transfer agent for the notice shares, within one month after the date of the notice,

- (a) a written statement that the dissenter requires the company to purchase all of the notice shares,
- (b) the certificates, if any, representing the notice shares, and
- (c) if Section 242(4)(c) applies, a written statement that complies with subsection (2) of this section.

(2) The written statement referred to in subsection (1)(c) must

- (a) be signed by the beneficial owner on whose behalf dissent is being exercised, and
 - (b) set out whether or not the beneficial owner is the beneficial owner of other shares of the company and, if so, set out
 - (i) the names of the registered owners of those other shares,
 - (ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and
 - (iii) that dissent is being exercised in respect of all of those other shares.
- (3) After the dissenter has complied with subsection (1),
- (a) the dissenter is deemed to have sold to the company the notice shares, and
 - (b) the company is deemed to have purchased those shares, and must comply with Section 245, whether or not it is authorized to do so by, and despite any restriction in, its memorandum or articles.
- (4) Unless the court orders otherwise, if the dissenter fails to comply with subsection (1) of this section in relation to notice shares, the right of the dissenter to dissent with respect to those notice shares terminates and this Division, other than Section 247, ceases to apply to the dissenter with respect to those notice shares.
- (5) Unless the court orders otherwise, if a person on whose behalf dissent is being exercised in relation to a particular corporate action fails to ensure that every shareholder who is a registered owner of any of the shares beneficially owned by that person complies with subsection (1) of this section, the right of shareholders who are registered owners of shares beneficially owned by that person to dissent on behalf of that person with respect to that corporate action terminates and this Division, other than Section 247, ceases to apply to those shareholders in respect of the shares that are beneficially owned by that person.
- (6) A dissenter who has complied with subsection (1) of this section may not vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, other than under this Division.

Payment for notice shares

245 (1) A company and a dissenter who has complied with Section 244(1) may agree on the amount of the payout value of the notice shares and, in that event, the company must

- (a) promptly pay that amount to the dissenter, or
 - (b) if subsection (5) of this section applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.
- (2) A dissenter who has not entered into an agreement with the company under subsection (1) or the company may apply to the court and the court may
- (a) determine the payout value of the notice shares of those dissenters who have not entered into an agreement with the company under subsection (1), or order that the payout value of those notice shares be established by arbitration or by reference to the registrar, or a referee, of the court,
 - (b) join in the application each dissenter, other than a dissenter who has entered into an agreement with the company under subsection (1), who has complied with Section 244(1), and
 - (c) make consequential orders and give directions it considers appropriate.

(3) Promptly after a determination of the payout value for notice shares has been made under subsection (2) (a) of this section, the company must

- (a) pay to each dissenter who has complied with Section 244(1) in relation to those notice shares, other than a dissenter who has entered into an agreement with the company under subsection (1) of this section, the payout value applicable to that dissenter's notice shares, or
- (b) if subsection (5) applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

(4) If a dissenter receives a notice under subsection (1) (b) or (3) (b),

- (a) the dissenter may, within 30 days after receipt, withdraw the dissenter's notice of dissent, in which case the company is deemed to consent to the withdrawal and this Division, other than Section 247, ceases to apply to the dissenter with respect to the notice shares, or
- (b) if the dissenter does not withdraw the notice of dissent in accordance with paragraph (a) of this subsection, the dissenter retains a status as a claimant against the company, to be paid as soon as the company is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the company but in priority to its shareholders.

(5) A company must not make a payment to a dissenter under this section if there are reasonable grounds for believing that

- (a) the company is insolvent, or
- (b) the payment would render the company insolvent.

Loss of right to dissent

246 The right of a dissenter to dissent with respect to notice shares terminates and this Division, other than Section 247, ceases to apply to the dissenter with respect to those notice shares, if, before payment is made to the dissenter of the full amount of money to which the dissenter is entitled under Section 245 in relation to those notice shares, any of the following events occur:

- (a) the corporate action approved or authorized, or to be approved or authorized, by the resolution or court order in respect of which the notice of dissent was sent is abandoned;
- (b) the resolution in respect of which the notice of dissent was sent does not pass;
- (c) the resolution in respect of which the notice of dissent was sent is revoked before the corporate action approved or authorized by that resolution is taken;
- (d) the notice of dissent was sent in respect of a resolution adopting an amalgamation agreement and the amalgamation is abandoned or, by the terms of the agreement, will not proceed;
- (e) the arrangement in respect of which the notice of dissent was sent is abandoned or by its terms will not proceed;
- (f) a court permanently enjoins or sets aside the corporate action approved or authorized by the resolution or court order in respect of which the notice of dissent was sent;
- (g) with respect to the notice shares, the dissenter consents to, or votes in favour of, the resolution in respect of which the notice of dissent was sent;

- (h) the notice of dissent is withdrawn with the written consent of the company;
- (i) the court determines that the dissenter is not entitled to dissent under this Division or that the dissenter is not entitled to dissent with respect to the notice shares under this Division.

Shareholders entitled to return of shares and rights

247 If, under Section 244(4) or (5), 245 (4) (a) or 246, this Division, other than this section, ceases to apply to a dissenter with respect to notice shares,

- (a) the company must return to the dissenter each of the applicable share certificates, if any, sent under Section 244(1)(b) or, if those share certificates are unavailable, replacements for those share certificates,
- (b) the dissenter regains any ability lost under Section 244(6) to vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, and
- (c) the dissenter must return any money that the company paid to the dissenter in respect of the notice shares under, or in purported compliance with, this Division.

Schedule "E"

NOTICE OF HEARING OF PETITION FOR FINAL ORDER

See Attached.

NO. VLC-S-S-206649
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTION 288 OF THE *BUSINESS CORPORATIONS ACT*,
S.B.C. 2002, CHAPTER 57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING
TETHYAN RESOURCE CORP.
AND ADRIATIC METALS PLC

TETHYAN RESOURCE CORP.

PETITIONER

NOTICE OF HEARING OF PETITION

To: The holders ("**Tethyan Shareholders**") of common shares of Tethyan Resource Corp. ("**Tethyan**")

And to: The holders of options to acquire common shares of Tethyan and holders of warrants to purchase common shares of Tethyan (the "**Tethyan Securityholders**")

NOTICE IS HEREBY GIVEN that a Petition has been filed by the Petitioner, Tethyan Resource Corp. in the Supreme Court of British Columbia (the "**Court**") for approval of a plan of arrangement (the "**Arrangement**"), pursuant to the *Business Corporations Act*, S.B.C., 2002, c. 57, as amended (the "**BCBCA**");

AND NOTICE IS FURTHER GIVEN that by an Interim Order Made After Application, pronounced by the Court on July 13, 2020, the Court has given directions as to the calling of an annual general and special meeting of the Tethyan Shareholders for the purpose of, among other things, considering, and voting upon the special resolution to approve the Arrangement;

AND NOTICE IS FURTHER GIVEN that an application for a Final Order approving the Arrangement and for a determination that the terms and conditions of the Arrangement and the exchange of common shares of Tethyan for ordinary shares of Adriatic Metals plc to be effected thereby are procedurally and substantively fair and reasonable to the Tethyan Shareholders and Tethyan Securityholders, and shall be made before the presiding Judge in Chambers at the Courthouse, 800 Smith Street, Vancouver, British Columbia on August 20, 2020 at 9:45 am (Vancouver time), or as soon thereafter as counsel may be heard (the "**Final Application**").

AND NOTICE IS FURTHER GIVEN that the Final Order approving the Arrangement will, if made, serve as the basis of an exemption from the registration requirements of the United States Securities Act of 1933, as amended, pursuant to Section 3(a)(10) thereof with respect to securities issued under the Arrangement.

IF YOU WISH TO BE HEARD, any person affected by the Final Order sought may appear (either in person or by counsel) and make submissions at the hearing of the Final Application if such person has filed with the Court at the Court Registry, 800 Smithe Street, Vancouver, British Columbia, a Response to Petition ("**Response**") in the form prescribed by the Supreme Court Civil Rules, together with any affidavits and other material on which that person intends to rely at the hearing of the Final Application, and delivered a copy of the filed Response, together with all affidavits and other material on which such person intends to rely at the hearing of the Final Application, including an outline of such person's proposed submissions, to the Petitioner at its address for delivery set out below by or before 4:00 p.m. (Vancouver time) on August 18, 2020.

The Petitioner's address for delivery is:

BLAKE, CASSELS & GRAYDON LLP
Suite 2600, Three Bentall Centre
595 Burrard Street, P.O. Box 49314
Vancouver, B.C. V7X 1L3

Attention: Sean K. Boyle

IF YOU WISH TO BE NOTIFIED OF ANY ADJOURNMENT OF THE FINAL APPLICATION, YOU MUST GIVE NOTICE OF YOUR INTENTION by filing and delivering the form of "Response" as aforesaid. You may obtain a form of "Response" at the Court Registry, 800 Smithe Street, Vancouver, British Columbia, V6Z 2E1.

AT THE HEARING OF THE FINAL APPLICATION the Court may approve the Arrangement as presented, or may approve it subject to such terms and conditions as the Court deems fit.

IF YOU DO NOT FILE A RESPONSE and attend either in person or by counsel at the time of such hearing, the Court may approve the Arrangement, as presented, or may approve it subject to such terms and conditions as the Court shall deem fit, all without any further notice to you. If the Arrangement is approved, it will significantly affect the rights of the Tethyan Shareholders and Tethyan Securityholders.

A copy of the said Petition and other documents in the proceeding will be furnished to any Tethyan Shareholders and Tethyan Securityholders upon request in writing addressed to the solicitors of the Petitioner at the address for delivery set out above.

Date: July 13, 2020

"Sean Boyle"

Signature of lawyer for Petitioner
Sean K. Boyle

SCHEDULE "F"

INFORMATION CONCERNING ADRIATIC

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INTRODUCTION

The information contained in this Schedule "F" has been furnished by Adriatic. With respect to this information, the Tethyan Board has relied exclusively upon Adriatic, without independent verification by Tethyan. Although Tethyan does not have any knowledge that would indicate that such information is untrue or incomplete, neither Tethyan nor any of their directors or officers assumes any responsibility for the accuracy or completeness of such information or for the failure by Adriatic to disclose events or information that may affect the completeness or accuracy of such information.

This Schedule "F" is a summary of Adriatic, its business, assets and operations, which should be read together with the Adriatic Annual Financial Statements, including the auditors' report thereon, and Adriatic Half-Year Financial Statements, copies of which are included at Schedule "H" to the Circular. The information contained in this Schedule "F", unless otherwise indicated, is given as at July 13, 2020.

This Schedule includes certain defined, technical and other terms which are defined under "Glossaries" herein. Additionally, capitalized terms used but not defined herein have the meanings ascribed to such terms in the main body of the Circular of which this Schedule is a schedule.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Schedule constitute "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws.

For further information, see "*Cautionary Statement Regarding Forward-Looking Statements*" of this Circular.

FINANCIAL STATEMENT DISCLOSURE

Adriatic's financial statements that are included in the Circular have been prepared in accordance with the Companies Act and IFRS as adopted by the European Union.

As of the date of the Circular, Adriatic qualifies as a "designated foreign issuer" as defined in National Instrument 52-107 – *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*.

Included in Schedule "H" to the Circular are the following:

- the Adriatic Half-Year Financial Statements; and
- the Adriatic Annual Financial Statements.

In addition, Appendix "G" to the Circular includes unaudited *pro forma* condensed consolidated financial statements of Adriatic after giving effect to the Arrangement.

The British Columbia Securities Commission granted exemptive relief to Tethyan from the requirements of Form 51-102F5 – *Information Circular* and Form 41-101F1 – *Information Required in a Prospectus* to include in the Circular interim financial statements of Adriatic and to provide a comparative interim financial report of Adriatic for the nine month period ended March 31, 2020. See "*Securities Laws and Stock Exchange Matters – Canadian Securities Laws – Exemption Order*" of this Circular and "*Exemptions*" of this Schedule for further information.

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

Adriatic presents its financial statements in Sterling and discloses certain financial information in this Schedule in Sterling, Euros, Bosnia-Herzegovina Convertible Marks, Australian dollars and United States dollars.

See "*Reporting Currencies and Accounting Principles*" of this Circular for information on certain applicable exchange rates.

TECHNICAL INFORMATION

The scientific and technical information contained or incorporated by reference in this Schedule relating to the Vareš Project is based upon, and supported by, the Vareš Technical Report. The report was authored by Galen White, BSc, FAusIMM, FGSL, Chris Parry, MSc, C.Eng. MIMMM, Bruce Pilcher, C.Eng., FIMMM, FAusIMM, Neal Reynolds, Phd, FIMMM, FAusIMM, Dmitry Pertel, MSc, MAIG, Gary Patrick, MAusIMM and David Muir, BSc, MAIG of CSA Global, each of which is independent of Adriatic within the meaning of NI 43-101. A copy of the Vareš Technical Report is available under Tethyan's profile on SEDAR at www.sedar.com.

The Vareš Technical Report is subject to certain assumptions, qualifications and procedures described therein. Reference should be made to the full text of the Vareš Technical Report, which has been prepared pursuant to NI 43-101. As permitted by Section 7.1 of NI 43-101, the Vareš Technical Report uses mineral resource categories set out in the JORC Code. As set forth in the Vareš Technical Report, there are no material differences between the JORC resource categories used therein and the CIM Definition Standards for mineral resource categories.

Scientific and technical information relating to the Vareš Project contained in the "Vareš Project" section of this Schedule, other than the subsection therein titled "*Recent Exploration*", was approved by Galen White, BSc, FAusIMM, FGSL, who is a "qualified person" within the meaning of NI 43-101. Other scientific and technical information in this Schedule was prepared under the supervision of, and approved by, Phillip Fox, CPO member of the Australasian Institute of Geoscientists, who is the Chief Geologist of Adriatic and a "qualified person" within the meaning of NI 43-101.

AUSTRALIAN SECURITIES EXCHANGE NOTICE

Adriatic will provide a hard copy of the Circular if requested, accompanied with the details of the Circular's location on SEDAR, to the ASX for release to the market prior to any on-sale in Adriatic's securities by Tethyan Shareholders.

GLOSSARIES

Certain terms used in this Schedule shall have the meaning ascribed in the following "*Glossary of Terms*" and "*Glossary of Technical Terms*". All other capitalized terms used herein and not defined below shall have the meanings ascribed thereto in the section "*Glossary of Terms*" in the Circular to which this Schedule is attached.

Glossary of Terms

"**2018 Collaboration & Strategic Partnership Deed**" means the collaboration and partnership deed between Adriatic and Sandfire Resources NL dated May 1, 2018.

"**Adriatic Annual Financial Statements**" means Adriatic's audited financial statements for the financial years ended June 30, 2019 and 2018 and for the period from February 3, 2017 to June 30, 2017.

"**Adriatic Chairman**" means the Chairman of the Adriatic Board.

"**Adriatic Half-Year Financial Statements**" means Adriatic's unaudited interim condensed consolidated financial statements for the six months ended 31 December 2019.

"**Adriatic Performance Right**" means a right granted under the ESOP 2019 or the Option Plan 2019 to be issued Adriatic Shares at nominal value on the satisfaction of applicable performance criteria.

"**ALS**" means ALS Laboratory Services.

"**Articles**" means the articles of association of Adriatic as adopted by special resolution of the Adriatic Shareholders on November 19, 2019.

"**ASX Listing Rules**" means the listing rules of the ASX.

"**ASX Principles and Recommendations**" means the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

"**Audit and Risk Committee**" means the Audit and Risk Committee of the Adriatic Board.

"**CDI**" means a CHESS Depositary Interest representing one Adriatic Share.

"**CHESS**" or "**CHESS System**" means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited.

"**CHESS Depositary Interest**" means a depositary interest representing underlying securities of a foreign issuer deposited in the name of Chess Depositary Nominees Pty Limited and created in accordance with the ASX Settlement Operating Rules.

"**CIM Definition Standards**" means CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by the CIM Council on May 10, 2014.

"**CSA Global**" means CSA Global (UK) Ltd (company number 06506117).

"**Eastern Mining**" means Eastern Mining d.o.o. Sarajevo.

"**Environmental, Social and Governance Committee**" means the Environmental, Social and Governance Committee of the Adriatic Board.

"**ESOP 2019**" means the employee share option plan of Adriatic adopted on November 8, 2019.

"**JORC**" or "**JORC Code**" means the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves*.

"**KPIs**" means key performance indicators.

"**Lubbock Fine**" means Lubbock Fine Chartered Accountants.

"**Nomination Committee**" means the Nomination Committee of the Adriatic Board.

"**Option Plan 2018**" means the share option plan of Adriatic adopted on February 12, 2018.

"**Option Plan 2019**" means the share option plan of Adriatic adopted on November 8, 2019.

"**PEA**" means the preliminary economic assessment set out in the Vareš Technical Report.

"**Remuneration Committee**" means the Remuneration Committee of the Adriatic Board.

"**Sandfire Resources**" means Sandfire Resources NL.

"**special resolution**" means a resolution of the Adriatic Shareholders requiring a majority of not less than 75%.

"**Swellcap**" means Swellcap Limited.

"**Takeover Code**" means the *City Code on Takeovers and Mergers* (United Kingdom).

"**Vareš Concession**" means the exploration concession agreement, No. 04-18-21389-1/13 dated March 12, 2013 between the Zenica-Dobož Canton and Eastern Mining (as amended).

"**Vareš Project**" means the Vareš project, located approximately 50 kilometres north of the Bosnian capital, Sarajevo, in the district of Vareš, consisting of two advanced exploration projects, Veovača and Rupice, and various regional exploration targets.

"**Vareš Technical Report**" means the NI 43-101 technical report respecting the Vareš Project titled "NI 43-101 Technical Report on the Vareš Polymetallic Project, Bosnia and Herzegovina" dated effective April 30, 2020 and authored by Galen White, BSc, FAusIMM, FGSL, Chris Parry, MSc, C.Eng. MIMMM, Bruce Pilcher, C.Eng., FIMMM, FAusIMM, Neal Reynolds, PhD, FIMMM, FAusIMM, Dmitry Pertel, MSc, MAIG, Gary Patrick, MAusIMM and David Muir, BSc, MAIG of CSA Global.

"**WAI**" means Wardell Armstrong International.

Glossary of Technical Terms

"**AAS**" means Atomic Absorption Spectroscopy.

"**Ag**" means silver.

"**As**" means arsenic.

"**Au**" means gold.

"**Ba**" means barium.

"**BaSO₄**" means barium sulfate.

"**BBWi**" means Bond Ball Mill work Index.

"**BD**" means bulk density.

"**Cd**" means cadmium.

"**cm**" means centimetres.

"**Cu**" means copper.

"**E**" means east.

"**FAusIMM**" means Fellow of the Australasian Institute of Mining and Metallurgy.

"**Feasibility Study**" has the meaning ascribed to it in the JORC Code, namely a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable Modifying Factors together with any other relevant operational factors and detailed financial analysis that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a Pre-Feasibility Study.

"**g**" means grams.

"**g/t**" means grams per tonne.

"**ha**" means a hectare.

"**Hg**" means mercury.

"**Hz**" means hertz.

"**ICP-AES**" means inductively coupled plasma-atomic emission spectroscopy.

"**ICP-MS**" means inductively coupled plasma-mass spectrometry.

"**Indicated Mineral Resource**" has the meaning ascribed to it in the JORC Code, namely that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve.

"**Inferred Mineral Resource**" has the meaning ascribed to it in the JORC Code, namely that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.

"**IP**" means induced polarization.

"**kg**" means kilograms.

"**koz**" means kilo ounces.

"**kt**" means thousand tonnes.

"**ktpa**" means thousand tonnes per annum.

"**kV**" means kilovolts.

"**kWh/t**" means kilowatt hours per tonne.

"**LCT**" means locked cycle test.

"**m**" means metre.

"**mamsl**" means metres above mean sea level.

"**MAusIMM**" means Member of the Australasian Institute of Mining and Metallurgy.

"**mbs**" means metres below ground surface.

"**Measured Mineral Resource**" has the meaning ascribed to it in the JORC Code, namely that part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Ore Reserve or under certain circumstances to a Probable Ore Reserve.

"**Mineral Resources**" has the meaning ascribed to it in the JORC Code, namely a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

"**mm**" means millimetres.

"**Mn**" means manganese.

"**Modifying Factors**" has the meaning ascribed to it in the JORC Code, namely considerations used to convert Mineral Resources to Ore Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors.

"**MRE**" means Mineral Resource estimate.

"**Mt**" means million tonnes.

"**MW**" means megawatts.

"**N**" means north.

"**Ore Reserves**" has the meaning ascribed to it in the JORC Code, namely the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified.

"**Pb**" means lead.

"**Preliminary Economic Assessment**" has the meaning ascribed to it in NI 43-101, namely a study, other than a pre-feasibility or feasibility study, that includes an economic analysis of the potential viability of mineral resource.

"**ppm**" means parts per million.

"**Preliminary Feasibility Study**", "**Pre-Feasibility Study**" or "**PFS**" has the meaning ascribed to it in the JORC Code, namely a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors which are sufficient for a Competent Person (as defined in the JORC Code), acting reasonably, to determine if all or part of the Mineral Resources may be converted to an Ore Reserve at the time of reporting. A Pre-Feasibility Study is at a lower confidence level than a Feasibility Study.

"**Probable Ore Reserve**" has the meaning ascribed to it in the JORC Code, namely the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve

"**Proved Ore Reserve**" has the meaning ascribed to it in the JORC Code, namely the economically mineable part of a Measured Mineral Resource. A Proved Ore Reserve implies a high degree of confidence in the Modifying Factors.

"**Qualified Person**" has the meaning ascribed to it in NI 43-101.

"S" means south.

"Sb" means antimony.

"SD" means standard deviations.

"SedEx" means sedimentary-exhalative.

"SG" means specific gravity.

"t" means tonnes.

"tpa" means tonnes per annum.

"W" means west.

"Zn" means zinc.

"ZnEq" means zinc equivalent.

CORPORATE STRUCTURE

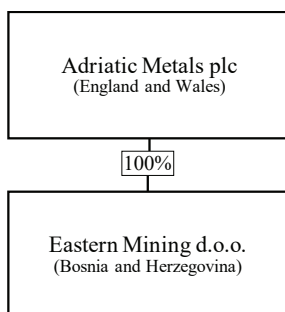
Adriatic Metals plc was incorporated on February 3, 2017 in England and Wales as a private company with limited liability under the Companies Act under company number 10599833, and re-registered as a public limited company on February 14, 2018.

The Adriatic Shares are currently listed on the ASX under the symbol "ADT" and on the Standard Segment of the Official List of the FCA and to trading on the LSE's Main Market under the symbol "ADT1".

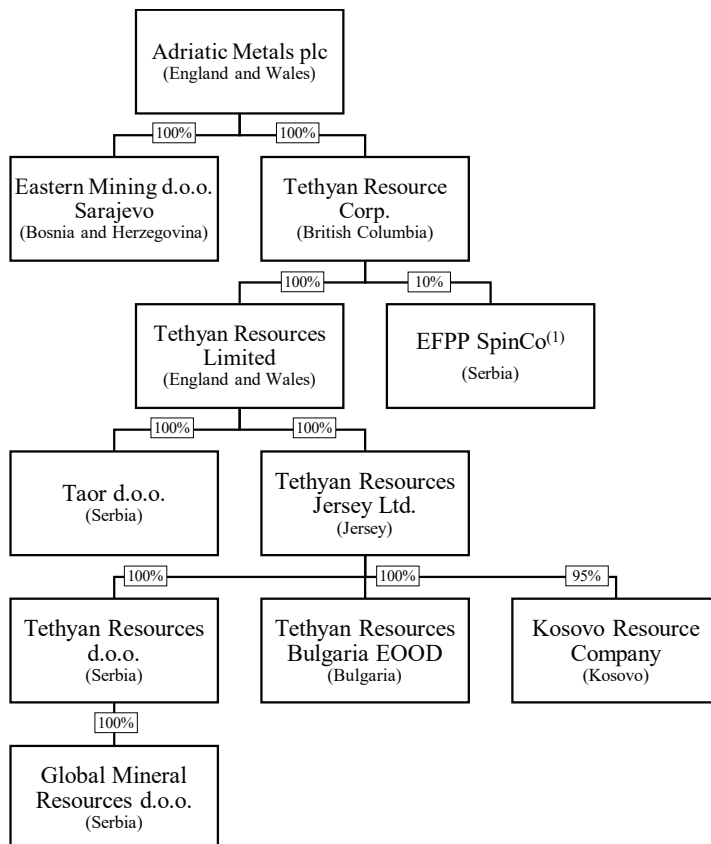
The address of Adriatic's head office and registered office is Ground Floor, Regent House, 65 Rodney Road, Cheltenham, GL50 1HX, United Kingdom. Adriatic's telephone number is +44 (0) 207 993 0066 and its website address is <https://www.adriaticmetals.com/>.

The following organizational charts depict the corporate structure of Adriatic: (i) prior to the Arrangement; and (ii) following completion of the Arrangement:

Prior to the Arrangement



Following Completion of the Arrangement



Note:

- (1) Tethyan currently holds a 10% interest in EFPP and has certain rights under the EFPP Acquisition Agreement to acquire the remaining 90% interest therein. The EFPP Spin-Off Transaction is a condition to the Arrangement. See "The Arrangement" in the Circular for further information.

DESCRIPTION OF ADRIATIC'S BUSINESS

General

Adriatic is a mineral exploration and development company focused on polymetallic projects in Bosnia and Herzegovina.

The primary focus of Adriatic is the Vareš Project located approximately 50 kilometres north of the capital, Sarajevo, Bosnia and Herzegovina, in the district of Vareš. Adriatic, through its wholly owned subsidiary company, Eastern Mining, owns 100% of one concession which extends over the entirety of the Veovača and Rupice deposits defined to date. Eastern Mining is the first company to undertake any exploration at the deposits and in the surrounding Vareš district since the late 1980s.

For more information on the Vareš Project, see "Vareš Project" of this Schedule.

Bosnia and Herzegovina

Country Overview

Bosnia and Herzegovina is located in south-eastern Europe, bordered by Croatia, Serbia and Montenegro, having declared independence from the former Yugoslavia on March 3, 1992. The capital, Sarajevo, has a population of approximately 343,000 out of a total country population of approximately 3.3 million.

The 1992 independence referendum was boycotted by ethnic Serbian citizens, and led to armed conflict between 1992 and 1995 as part of the breakup of Yugoslavia. The conflict was primarily along ethnic and religious lines, between the Orthodox Bosnian Serbs, the Roman Catholic Croats and the Muslim Bosniaks.

The Bosniaks are the largest ethnic group in Bosnia and Herzegovina, comprising 50.1% of the population, followed by Serbs (30.8%) and Croats (15.4%). There are three official languages: Bosnia, Serbian, and Croatian.

The country is mostly landlocked, with a narrow 20 kilometre coastline at the Adriatic Sea. The terrain consists of mountains and valleys, with hot summers and cold winters. Areas of higher elevation tend to have more extreme cold weather.

A peace agreement was signed in 1995, creating both a multi-ethnic central government in charge of foreign and fiscal policies, and a second tier of government comprising two approximately equal areas: the predominantly Bosniak-Croat 'Federation of Bosnia and Herzegovina' and the majority Bosnian-Serb 'Republika Srpska'.

Bosnia and Herzegovina has a three member presidency on a rotation basis, comprising one Bosniak and one Croat elected from the Federation of Bosnia and Herzegovina and one Serb elected from the Republika Srpska.

The country's economy is dominated by exports of commodities (metals, clothing and wood products). The currency is the BAM, which is currently pegged to the Euro at a rate of 1:1.95583. Bosnia and Herzegovina applied for membership of the European Union in 2016 and is considered a 'potential candidate' for EU membership. Presently, the country has a Free Trade Agreement with EFTA states (Switzerland, Iceland, Liechtenstein and Norway), is a member of the Central European Free Trade Agreement and has a Stabilization and Association Agreement with the European Union. Bosnia and Herzegovina is not currently a member of the World Trade Organization but is well advanced on the path to accession.

Bosnia and Herzegovina has good levels of infrastructure, with four main international airports, five international road connections, and rail links to neighbouring Croatia and Serbia.

Current environmental challenges the country is facing include air pollution, deforestation and waste-water.

Regulatory Framework

The exploration and exploitation of minerals in Bosnia and Herzegovina is primarily governed by the following laws:

- the Law of Geological Explorations (No. 09/10 and 14/10 of 2010), which regulates geological exploration and related activities and research;
- the Law of Mining (No. 26/10 of 2010), which regulates exploitation, extraction and processing of minerals; and
- the Law on Concessions (No. 40/02 of 2002), which regulates the grant of concessions by the Federal Government of Bosnia and Herzegovina or by individual cantons of Bosnia and Herzegovina.

The above laws are applied at both the federal level and by the individual cantons, and are supported by various state, federal, cantonal and municipal laws relating to environmental protections, planning, forestry, water, property, employment and taxation. The governmental authority with overall responsibility for exploration and exploitation of minerals is the Ministry of Energy, Mining and Industry.

Before undertaking any exploration or exploitation activities (under permits obtained from the Ministry), a concession agreement must be entered into between the concessionaire and the relevant canton. Although the federal government has authority, pursuant to the Law on Concessions, to grant concessions, to date, none have been granted by the federal government and have instead been granted by individual cantons, subject to the concessionaire satisfying the technical and financial qualifying criteria.

Once the concession agreement has been granted by the relevant canton, the concessionaire may apply to or for exploration and exploitation permits in accordance with the Law of Geological Explorations and the Law of Mining, respectively.

A concessionaire holding an exploration permit may apply and receive an exploitation permit after submitting technical documentation and satisfying other technical conditions as required by applicable mining laws; following a successful application, an exploitation permit will then be issued.

The duration of exploration and exploitation rights or phases are not defined by the Law of Geological Explorations or the Law on Concessions, but are set out in a concession agreement and subject to agreement with the canton. Likewise, minimum work programs, expenditure on exploration activities, and royalty rates and tariffs are not fixed by the legislation but are specified in the concession agreement.

Employees

In the financial year ended June 30, 2019 and as at June 30, 2020, Adriatic has engaged the services of the following number of persons:

	2020	2019
Eastern Mining		
Administrative staff	3	5
Exploration & development	40	16
Total Eastern Mining	43	21
Adriatic		
Directors	7	5
Administrative and management	8	4
Total Adriatic	15	9
Total Group	62	30

The headcount figures above include the following number of persons that were not engaged by Adriatic by way of an employment contract:

	2020	2019
Eastern Mining		
Administrative staff	-	-
Exploration & development	-	-
Total Eastern Mining	-	-
Adriatic		
Directors	7	5
Administrative and management	3	3
Total Adriatic	10	8
Total Group	10	8

Competitive Conditions

The mineral exploration and mining industry is competitive in all phases of exploration, development and production. Adriatic competes with a number of other entities and individuals in the exploration of, search for, and the acquisition of attractive mineral properties. Some of these entities have greater financial resources than Adriatic.

Adriatic's primary competitors are companies currently producing base and precious metals that have the ability to expand their operations, and other companies exploring and developing new base and precious metals projects.

Environmental and Social Protection

Adriatic recognizes the importance of ethical conduct, human rights and Adriatic's impact on the environment. Adriatic is committed to adhering to internationally recognized and accepted standards and responsible business conduct such as the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

To date, Adriatic's activities have been primarily exploration and community engagement via public meetings. Recently a Community Liaison Office has been established in the town of Vareš, to facilitate less formal interactions between stakeholders and Adriatic, but as further project development plans are confirmed, the Community Liaison Office, coupled with active digital and social media campaigns, will expand the information outflows to the local community to facilitate discussion and cooperation.

In August 2019, Adriatic commissioned Critical Resource, an advisory firm that supports mining and energy companies to assess and manage political, environmental, social and governance and stakeholder issues, and to complete a high level review and gap analysis of its early stage approach to environmental, social and governance issues. Critical Resource provided an initial set of recommendations and a draft "ESG framework" for strengthening the approach as the Vareš Project progresses and to conduct training on anti-bribery and corruption issues.

Adriatic has engaged WAI to conduct a full Equator Principles compliant Environmental and Social Scoping Study and Baseline surveys to be followed by an Impact Assessment. Work commenced in the fourth quarter of 2019 and will incorporate the Bosnia & Herzegovina requirements for the Environmental Impact Survey, which was submitted to the Federal Ministry of Environment and Tourism in October 2019 for Veovača, as well as a broader scope to align with Adriatic's policies, the Equator Principles (2020), IFC Performance Standards (2012) and the European Bank of Reconstruction and Development's Environmental and Social Policy (April 2019) which includes the Performance Requirements.

THREE YEAR HISTORY

The following is a summary of Adriatic's development since its incorporation in 2017. Adriatic's financial year end is June 30.

2017

- Adriatic was incorporated on February 3, 2017 in England and Wales and on March 3, 2017, Adriatic acquired 100% of the issued share capital of Eastern Mining pursuant to a share sale agreement between Adriatic, Eastern Mining and Balkan Mining Pty Ltd.
- During 2017, Adriatic commenced a confirmatory drill program at both Veovača and Rupice. The drill program allowed an initial JORC compliant mineral resource estimate to be completed for Veovača. See "*Vareš Project*" of this Schedule for further information.

2018

- Adriatic listed on the ASX with its CDIs admitted to trading on April 27, 2018, raising A\$10 million in equity capital at a price of A\$0.20 per CDI.
- In May 2018, Adriatic announced entry into the 2018 Collaboration & Partnership Deed with Sandfire Resources. Sandfire Resources invested A\$2 million in Adriatic's ASX initial public offering for a shareholding of 7.7%. See "*Material Contracts*" of this Schedule.

2019

- In August 2018, Adriatic announced the approval of the Vareš Municipal Council of an expansion to the area covered by the existing Vareš Concession and in November 2018, Adriatic announced that the Government of Zenica-Doboj Canton had approved Adriatic's application for a significant extension to the current concession agreement for the Vareš Project. See "*Vareš Project*" of this Schedule for further information.
- In November 2018, Adriatic announced that it had completed a placing of new CDIs to institutional investors of A\$10 million at a price of A\$0.55 per CDI, with Sandfire Resources subscribing for a further A\$0.8 million at the same price.
- In March 2019, Adriatic was awarded an exploration permit over the expanded Vareš Concession area by the Ministry for Energy, Mining and Industry. See "*Vareš Project*" of this Schedule for further information.

Events Subsequent to June 30, 2019

- In July 2019, Adriatic announced a JORC maiden Mineral Resource estimate on Rupice and an updated JORC Mineral Resource estimate on Veovača. See "*Vareš Project*" of this Schedule for further information.
- On September 25, 2019, Adriatic announced the results of preliminary metallurgical test work on the Rupice and Veovača deposits. See "*Vareš Project*" for further information.
- On October 8, 2019, Adriatic announced the resignation of Eric de Mori from the Adriatic Board.
- On October 29, 2019, Adriatic announced the completion of an A\$25 million institutional placement at an issue price of A\$1.00 per Adriatic Share. Sandfire Resources also subscribed for its pro rata interest in the placement under the terms of the 2018 Collaboration & Strategic Partnership Deed. Pursuant to the placement, Adriatic issued a total of 25,000,000 Adriatic Shares in the form of CDIs. For more information about the 2018 Collaboration & Strategic Partnership Deed, see "*Material Contracts*" of this Schedule.
- On November 11, 2019, Adriatic announced the appointment of Sandra Bates and John Richards to the Adriatic Board. Mr. Richards was appointed at the request of Sandfire Resources in connection with the 2018 Collaboration & Strategic Partnership Deed.
- In November 2019, Adriatic announced the results of the PEA for the Vareš Project. See "*Vareš Project*" of this Schedule for further information.
- On December 12, 2019, the Adriatic Shares were admitted to the Standard Segment of the Official List of the FCA and to trading on the LSE's Main Market under the ticker "ADT1".
- On January 6, 2020, Adriatic announced that Geoff Eyre was appointed as Chief Financial Officer of Adriatic, replacing Sean Duffy, and on March 11, 2020, Adriatic announced that Mr. Eyre was appointed as Joint Company Secretary.
- On January 29, 2020, Adriatic announced that it had entered into Annexure 4 to its Vareš Concession with the Ministry of Economy for Zenica-Doboj Canton. See "*Vareš Project*" of this Schedule for further information.
- On May 11, 2020, Adriatic announced that it had entered into a binding letter agreement with respect to the Arrangement and entered into the Convertible Loan Agreement with Tethyan. See "*The Arrangement*" of the Circular for further information.
- On May 24, 2020, Adriatic announced receipt of an Environmental Permit for Veovača.

- On June 12, 2020, Adriatic announced the appointment of Dominic Roberts as Head of Corporate Affairs and the departure of Milos Bosnjakovic from the Adriatic Board.
- On June 12, 2020, Adriatic announced that it had entered into the Arrangement Agreement with Tethyan. See "The Arrangement Agreement" of the Circular for further information.
- On July 8, 2020, John Richards resigned as a director of Adriatic.

VAREŠ PROJECT

Adriatic's wholly-owned subsidiary, Eastern Mining, holds the Vareš Concession over the Vareš Project, which is comprised of the Veovača and Rupice deposits as well as various regional exploration projects. The Vareš Project is described below.

Project Description, Location and Access

Location

The Vareš Project is located in Bosnia and Herzegovina near the mining town of Vareš, approximately 50 km north of the capital, Sarajevo, and approximately 50 minutes by car via the Sarajevo–Zenica freeway to Podlugovi, then a sealed road to Vareš. The town of Vareš is the administrative centre for the district. Access between Veovača and Rupice projects is via 15 km of well-maintained sealed and unsealed roads. Access is all year round.

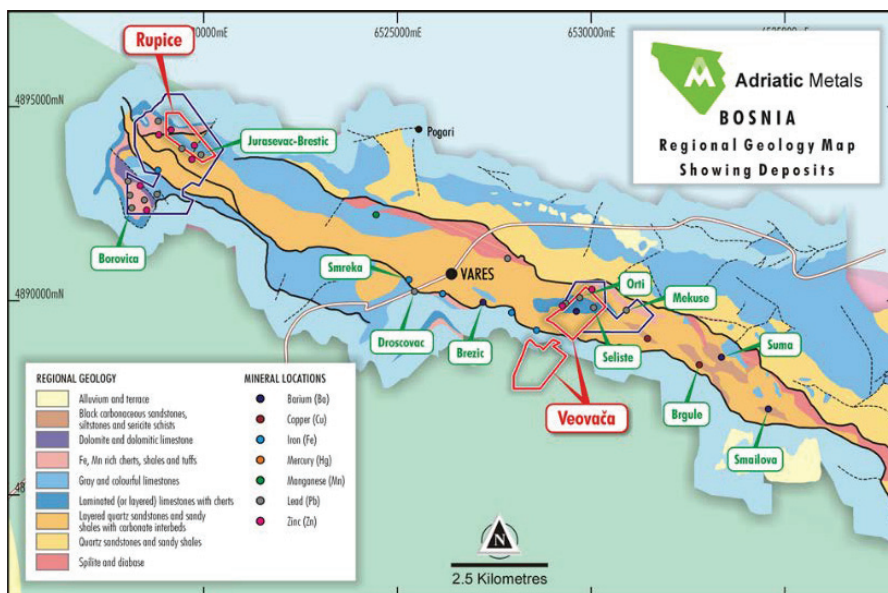
The following map sets forth the location of the project:



A national electricity grid is operated and maintained by the state company, JP Elektroprivreda BiH. Power lines run to the open pit and abandoned processing facility at Veovača, and thereafter to nearby villages. Most of these lines deliver a 10-kV service. Local water is supplied to all surrounding villages and is maintained by JKP Vareš doo, a public company owned and operated by the Vareš council.

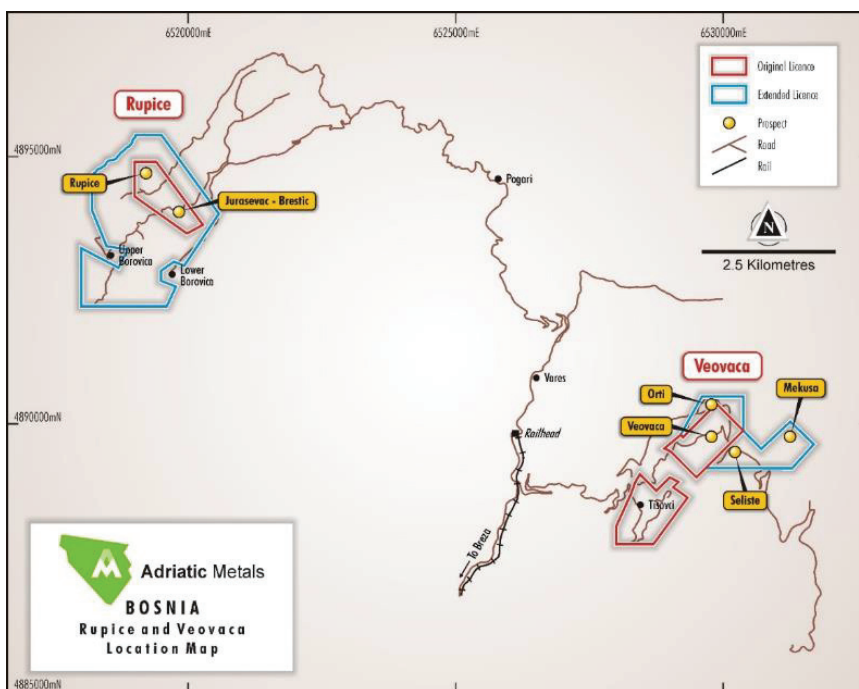
Ownership

Adriatic, through its wholly-owned local subsidiary company, Eastern Mining, owns 100% of the Vareš Concession, comprising five individual licences, which includes non-contiguous areas covering the entirety of the Veovača and Rupice deposits as defined to date. Eastern Mining is the first company to undertake any exploration at the deposits and in the surrounding Vareš district since the late 1980s. The following map sets forth the area of the Vareš Concession.



The Vareš Concession was initially granted to Adriatic's wholly-owned subsidiary, Eastern Mining (formerly known as MM Project d.o.o.) for 25 years on March 12, 2013 by the Ministry of Economy of the Zenica-Doboj Canton under Concession Agreement no. 14-18-21389-1/13. Eastern Mining was acquired by Adriatic in February 2017.

In November 2018, Eastern Mining received a Concession Annexe agreement from the Ministry of Economy of the Zenica-Doboj Canton for an additional 452 ha of land in the Rupice-Borovica area and an additional 132 ha in the Veovača-Orti-Mekuše-Selište area. This was approved by the Federal Ministry for Energy, Mining and Industry in March 2019, and an exploration permit was granted over these areas, expiring in March 2023. These areas, which together with the three original licences, comprise the "expanded Adriatic concession" are shown in the figure below. In January 2020, Eastern Mining entered into Annexure 4 to its Concession Agreement with the Ministry of Economy for Zenica-Doboj Canton. The concession agreement is the primary document granting mineral rights at Veovača and Rupice. Despite the Federal Mining Code granting mineral rights to all metals and minerals contained in the Reserves Elaborat, which was approved in April 2019 as announced on 4 April 2019, at the time the Concession Agreement was entered into in 2013, the historical information available for the Vareš Project did not include a sufficient number of assays for gold, silver or copper, and as such the Concession Agreement only referred specifically to lead, zinc and barite. Since acquiring Eastern Mining, in 2017, Adriatic has identified significant resources of precious metals at both Veovača and Rupice, as set out in the mineral resource estimates announced on 23 July 2019, and the changes included in Annex 4 remove all legal ambiguity between the two levels of government regarding the mineral rights. In addition to the above changes, Annex 4 of the Concession Agreement removes the requirement to commence exploitation by May 2020, aligning the procedures contained within the Federal Mining Code, to the commercial terms of the Concession Agreement with the Canton. These changes also include an amendment to the Minimum Annual Concession Fee from the current level BAM 1.50 (€ 0.77) to BAM 3.90 (€1.99) per tonne Run of Mine (ore into plant), increasing the payment from the date exploitation is granted but prior to commencement of production, to €199,325 per annum from the current level of €76,663 per annum.



The Vareš Project comprises the expanded Vareš Concession of 865.4 ha in three areas, two at Veovča covering the pit and plant site respectively are exploitation and exploration areas, while Rupice is an exploration area. The following table sets forth the five licenced areas under the Vareš Concession:

Project	Tenement	Area (ha)	Status
Vareš	Veovča II (Pit Site)	90.54	Exploitation permit expired, new exploitation permit application in progress.
	Veovča I (Plant Site)	107.68	Exploitation permit expired, new exploitation permit application in progress.
	Rupice-Jurasevac-Brestic	83.18	Approved – exploration. Expiry date 25/05/2020; exploitation permit application in progress
	Rupice-Borovica	452	Approved – exploration. Expiry date 04/03/2023.
	Veovča-Orti-Mekuše-Selište	132	Approved – exploration. Expiry data 04/03/2023.

Royalty

Under the Vareš Concession, Adriatic is committed to a royalty payment of 3.9 BAM per run of mine tonne (equivalent to approximately US\$2.25 per run of mine tonne) subject to an annual minimum of 100,000 tonnes.

History

Lead, zinc and iron deposits in the Vareš district were first exploited in medieval times and throughout the Austrian-Hungarian period. In the late 1890s, iron ore mining and downstream iron and steel manufacturing were established at Vareš and Vareš Maden, and these works continued for almost a century. Modern exploration by a parastatal company, Energoinvest, was commenced in the late 1940s. Exploration and mining activities continued until 1992 when Bosnia and Herzegovina declared its independence and bankruptcy proceedings were brought against many state-owned companies, including Energoinvest and its assets.

Following the bankruptcy proceedings against Energoinvest, in November 2012, the Vareš Project, which at the time comprised the Veovča and Rupice licences, was sold to Balamara Resources Limited and Balkan Mining Pty Ltd., which were shareholders of MM Project d.o.o. Concessionary and associated exploration and exploitation rights for the Vareš

Project were granted for 25 years on March 12, 2013 by the Ministry of Economy of the Zenica-Doboj Canton under a concession agreement. MM Project d.o.o. subsequently changed its name to Eastern Mining. It was acquired by Adriatic in February 2017.

The Vareš district has a significant mining history dating back to Bronze Age. During the Roman era, the town was famous for its miners and iron smiths. During the Austrian rule of Bosnia and Herzegovina, the ironworkers of Vareš were an important exporter of iron products to the rest of the Hapsburg empire. The first blast furnace in Bosnia and Herzegovina was built in Vareš in 1891 and only ceased operations in 1990.

Over a period of 40 years, commencing in the late 1940s, Energoinvest discovered several iron and polymetallic (lead, zinc, barite, silver, gold) deposits within a 30 km x 10 km sedimentary formation extending from Rupice in the northwest to Smailova – Suma in the southeast.

In the late 1960s to the early 1970s, exploration in the district consisted of a number of small programs of diamond core drilling and surface trenching which at Veovača, Drosčovac, Bretic-Jurasevac and Borovica was followed by the development of exploration adits and drives, and then a more substantial program of diamond core drilling in the late 1970s and the 1980s.

Open pit mining commenced at Veovača in 1983 at a production rate of approximately 400,000 tpa. After four years of mining, some 1.2 Mt of mineralized material had been mined and hauled to the nearby processing facility some 2 km to the southwest. Mining activities by Energoinvest reached a peak in the 1980s but by the end of the decade all mines closed due to political instability rather than depleted mine reserves.

No exploration was conducted in the Vareš district following the closure of the lead-zinc and iron ore mines in the late 1980s. Thereafter the civil unrest of the 1990s, lack of foreign investment through the early 2000s, and the eventual bankruptcy of Energoinvest, impeded any attempt at restarting exploration and mining. Eastern Mining is the first company to undertake any exploration at the deposits and in the surrounding Vareš district since the late 1980s.

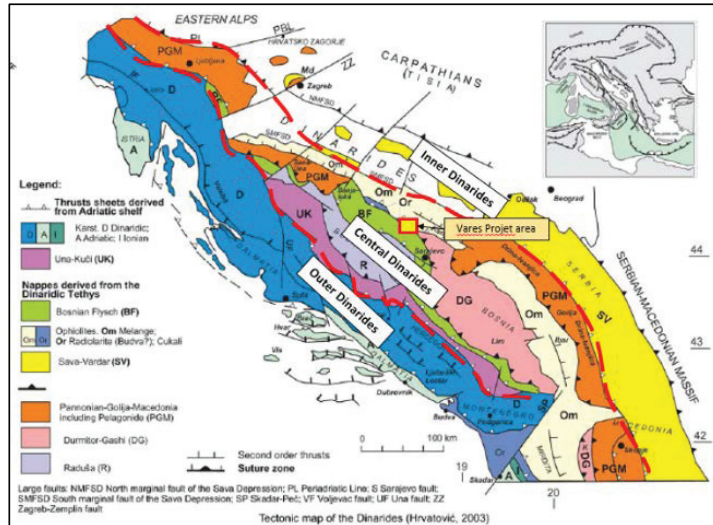
Geological Setting and Mineralization

Regional Geology

The Vareš Project is located in the Dinarides, the geological domain that represents the southeast extension of the Alpine orogenic belt in the Balkans. The Dinaride orogen developed through opening and closure of the Vardar Ocean, a branch of the Neotethys Ocean, between the Adriatic terrane (Adria) and the Tisza-Dacia blocks and Moesian platform on the Eurasian terrane, as well as intervening arc belts.

Rifting in the Vardar belt commenced in the Lower to Middle Triassic and led to development of a passive margin carbonate platform on Adria from the Upper Triassic to Upper Jurassic. Ophiolite obduction of Vardar oceanic crust in the latest Jurassic or Lower Cretaceous occurred during the early convergent phase of the orogen. Convergence culminated in Palaeogene to Neogene closure of the Vardar Ocean during the Alpine orogeny which, at a larger scale, represented collision of Europe and Africa and closure of the Neotethys Ocean.

The Dinarides are comprised of the autochthonous western carbonate platform and a series of southwest-verging nappe belts to the east, developed during the Alpine collision event. The Vareš Project is located in the Durmitor Nappe comprising Palaeozoic basement and Triassic-Jurassic volcanic and sedimentary elements. West of the Durmitor Nappe, the Bosnian Flysch represents the passive margin of Adria lying east of, and largely younger than, the carbonate platform of the Dalmatian and High Karst zone. Together, the carbonate platform and Bosnian Flysch represent the autochthonous External Dinarides (or Outer Dinarides).

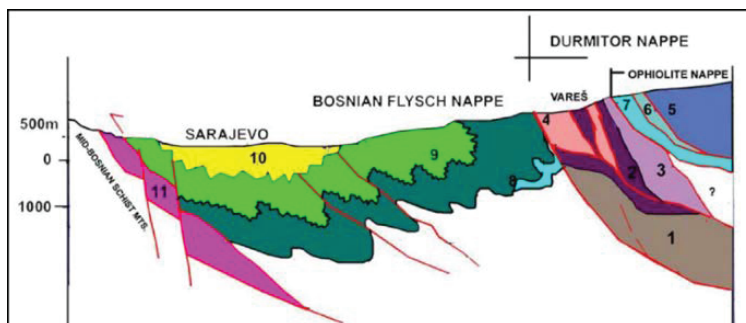


Geotectonic map of the Dinarides. Source: Hrvatović, 2003

The Durmitor Nappe and Drina-Ivanjica Nappe to the east are tectonically overthrust by, and interleaved with, the Western Vardar ophiolite belt, comprising the Internal Dinarides (or Central Dinarides), representing the axial part of the rift basin overthrust by oceanic crust of the Vardar Ocean.

The Durmitor Nappe is interpreted to include pre-rifting Palaeozoic basement, Lower to Middle Triassic rift-platform sequences, and deep-water Jurassic sequences. Ladinian (Middle Triassic) alkaline mafic volcanics mark a major extensional rift event and are overlain by platform sediments dominated by carbonate sediments with subordinate siliciclastic sediments. Rapid deepening resulted in deposition of deep-water limestones and radiolarian-bearing mudstones and chert in the Jurassic.

In the latest Jurassic, westward slab rollback culminated in collision with an intra-oceanic arc in the Vardar Ocean and resulted in ophiolite obduction onto the Adria passive margin. Flysch sedimentation continued in the Bosnian Flysch belt ahead of the obducted ophiolite. Final closure of the Vardar Ocean in the Late Cretaceous to Palaeogene resulted in development of the westward verging Dinaride fold-and-thrust belt, including the Durmitor Nappe.



Note: See text above for reference to the 11-stratigraphic descriptions. Source: Hrvatović, 2003

District Mineralization

The Vareš Project is located within the "Vareš ore field" which forms part of a metallogenic province that has previously been interpreted to be related to Middle Triassic rifting and associated magmatism. This province was defined by Palinkaš

et al. (2008) to include stratiform SedEx Fe, Mn, Ba, polysulphide and Hg deposits and associated feeder-zone deposits, localised within the Middle Triassic rift sequences of the Internal Dinarides.

The Vareš metallogenic district is a west northwest-striking curved belt, 2–5 km wide and 25 km long, running from Srednje–Draževići in the southeast to Vareš–Borovica, and is characterized by Lower Triassic shales, sandstones and limestones, Anisian limestones, and Ladinian spilites interlayered with pyroclastic volcanic rocks, cherts, and shales.

Vareš was a significant centre for iron ore mining until the 1990s based on three siderite-hematite deposits within the Anisian-Ladinian stratigraphy: Smreka, Droškovac and Brezik. Footwall marls are overlain by the partly fault-bound mineralized zone with remnant limestone and overlain by cherty mudstone. Mineralization includes siderite, manganese-rich hematite, barite, pyrite, marcasite, chalcopyrite, galena, sphalerite, tetrahedrite and Pb-sulphosalts.

The polymetallic deposits of the Vareš metallogenic district include Srednje, Borovica, Rupice, and Veovača. Srednje and Borovica are hosted by dolostone with minor intercalations of chert and shale, and characterized by barite, galena and sphalerite, with minor pyrite and marcasite and accessory arsenopyrite, chalcopyrite, bournonite, tetrahedrite, stibnite and cinnabar.

Prospect and Local Geology

Rupice at the western end of Vareš ore field and Veovača, in the central part, are both hosted within a west northwest-striking antiformal thrust-bound belt of Triassic rocks surrounded by Jurassic carbonates. Ladinian (Middle Triassic) alkaline pillow basalts occur in a zone between the deposits, apparently stratigraphically underlying the host rocks to the mineralization.

Mineralization at Rupice and Veovača shows more similarities than differences and both deposits are clearly part of the same mineral system.

Rupice

The Rupice project is located 15 km to the northwest of Veovača on the western slope of Kiprovac Ridge. Other known prospects in this area include Jurasevac-Brestic and prospects in the Borovica corridor.

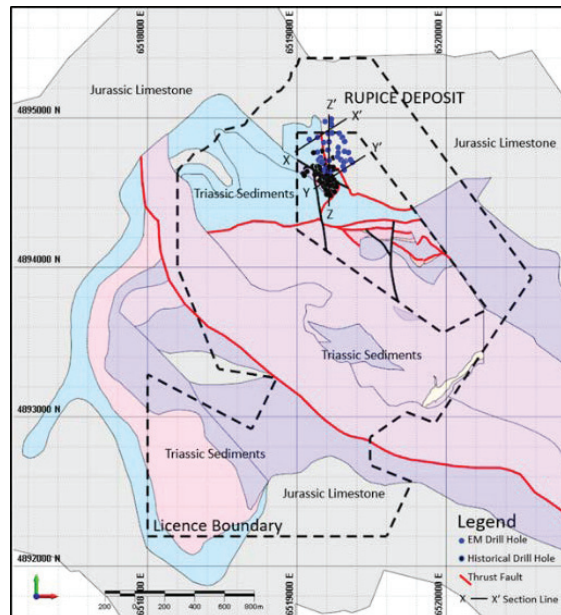
The host sequence at Rupice comprises Middle Triassic limestone, dolostone, calcareous and dolomitic marl, and a range of mostly fine-grained siliciclastic rocks including cherty mudstone, mudstone, siltstone and fine-grained sandstone. The siliciclastic rocks are commonly red, though locally green. The internal Triassic stratigraphy is not well defined, partly due to fault-related structural complexity and alteration but, in general, a footwall sandstone is overlain by marls and dolostones that host the mineralized horizon, with a hanging wall that commonly includes a laminated ferruginous dolomitic mudstone. The host sequence shows extensive early soft-sediment deformation textures related to compaction and minor slumping. Compressional deformation effects are limited and localised, with a domal compressional fabric locally present. The most prominent deformation is late faulting and associated breccias.

The Rupice deposit is interpreted to lie in the faulted northeast limb of a north-northwest to south-southeast trending syncline with the northeast limb being strongly deformed by thrusting. The geological setting of the nearby Jurasevac and Brestič prospects may represent an extension or repetition of this deformed limb.

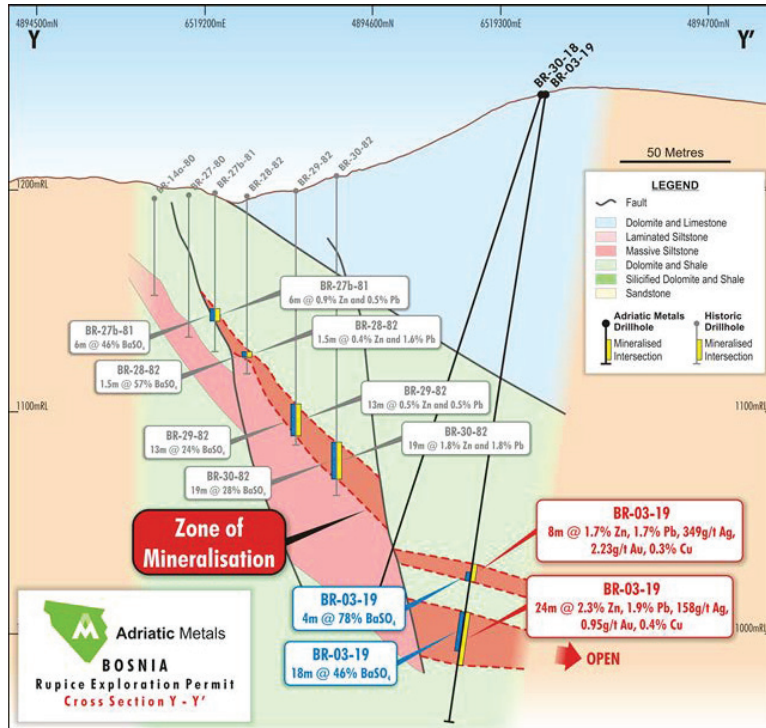
Mineralization shows broadly stratiform geometry within the dominantly calcareous or dolomitic host-rock sequence, with localised complexities related to structure. The deposit dips to the east and flattens down dip. In the central part of the deposit, a thickened zone may represent a structural thickening related to folding, or the replacement of a thicker host-rock interval. The deposit plunges to the north and in its central part occurs as two stacked lenses. It is not yet clear if this represents a structural repetition.

The Triassic sediments and the mineralized interval are structurally overlain across a major northeast-dipping thrust fault by Jurassic sediments comprising locally reddish limestone with minor cherts.

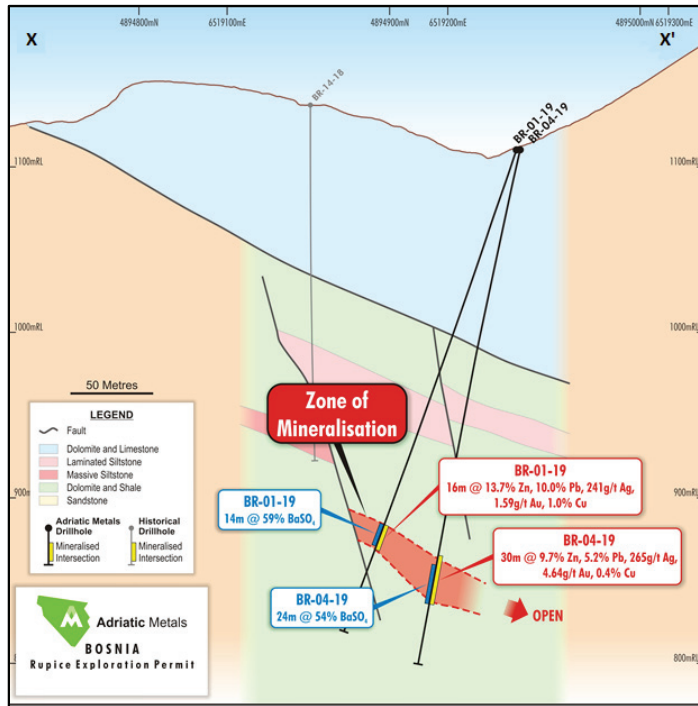
The Triassic sequence below the thrust is interpreted to be cut by a set of northeast-dipping moderately steep reverse faults that have been interpreted to form a duplex between the Jurassic thrust and a blind sole thrust.



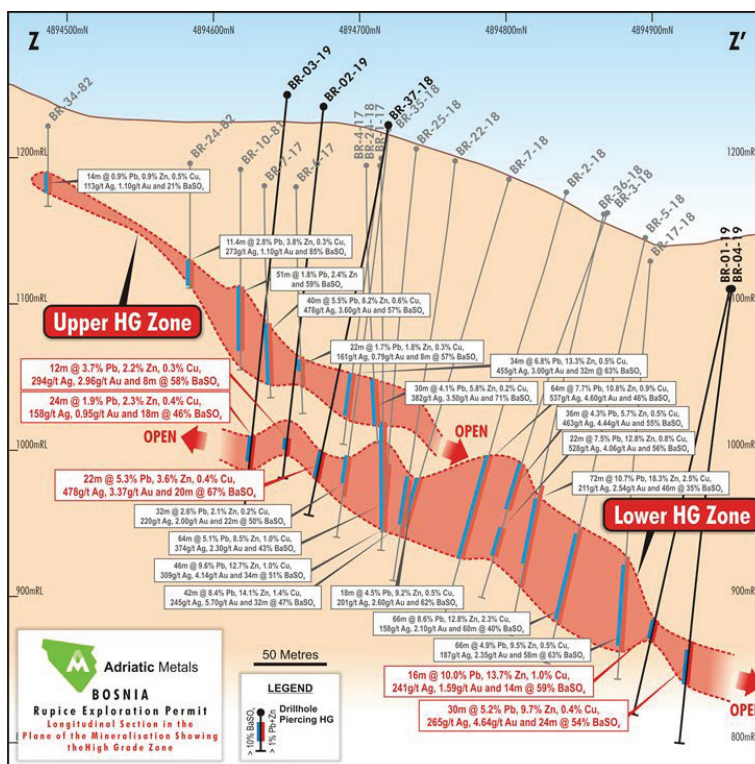
Rupice simplified geology (plan). The outermost dashed line represents the extended Rupice area, the inner dashed line is the original Rupice area. Source: Adriatic Metals Plc



Typical cross section through Rupice South – section Y-Y' (looking northwest). Source: Adriatic, 2019C



Typical cross section through Rupice North – section X-X' (looking northwest). Source: Adriatic, 2019C

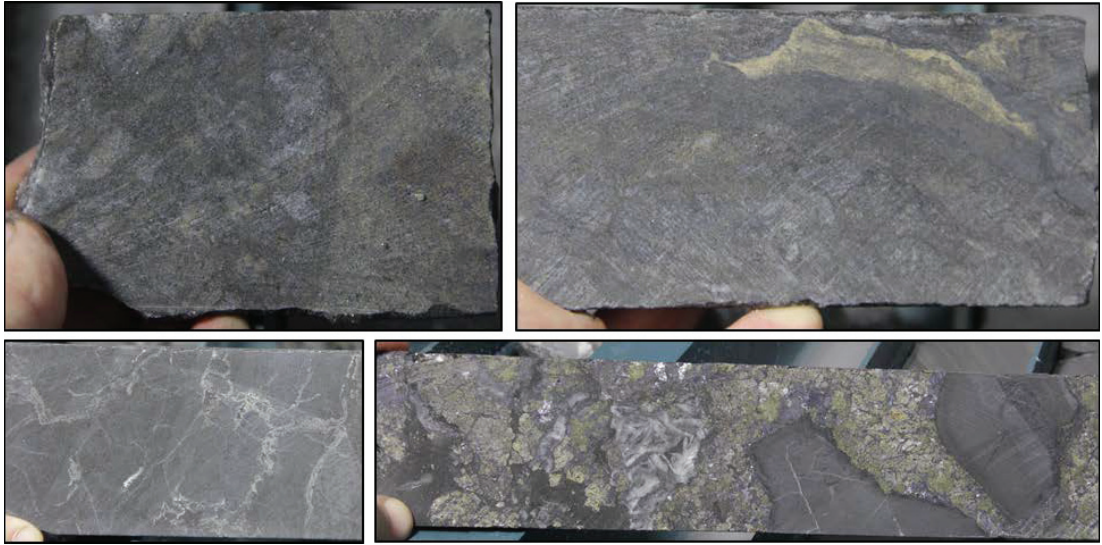


Long section through Rupice – section Z-Z' (looking west). Source: Adriatic, 2019C

At Rupice, mineralization is characterized by abundant barite that is intimately intergrown with sulphides that include sphalerite, galena, chalcopyrite, pyrite, minor tetrahedrite, and rare stibnite and cinnabar. Mineralization carries significant silver and gold values. Sphalerite is dominantly low iron and varies from yellow to pale brown and brown.

Mineralization varies from massive, to disseminated and breccia-matrix, to stockwork and vein style, but most of the mineralization is massive and can be exceptionally high grade in thick intervals of total replacement. Massive mineralization typically displays a remnant breccia or conglomeratic texture interpreted to reflect replacement of dolostone sedimentary breccia. Stockwork vein mineralization is locally present in the footwall, with similar barite-sphalerite-galena-pyrite mineralogy. Disseminated pyrite in the footwall is associated with silicification.

Ankerite occurs with mineralization and is part of the mineralization paragenesis. Quartz also occurs as gangue and locally extensive zones of hydrothermal silicification are developed, especially in the footwall dolostone and dolomitic marl.



Rupice mineralization. Top: Massive replacement mineralization with coarse barite and pale brown to yellow sphalerite and ghosted remnant breccia texture. Bottom: Stockwork vein and replacement in dolomitic marl, with coarse bladed barite and brown to yellowish-green sphalerite at right.

Veovača

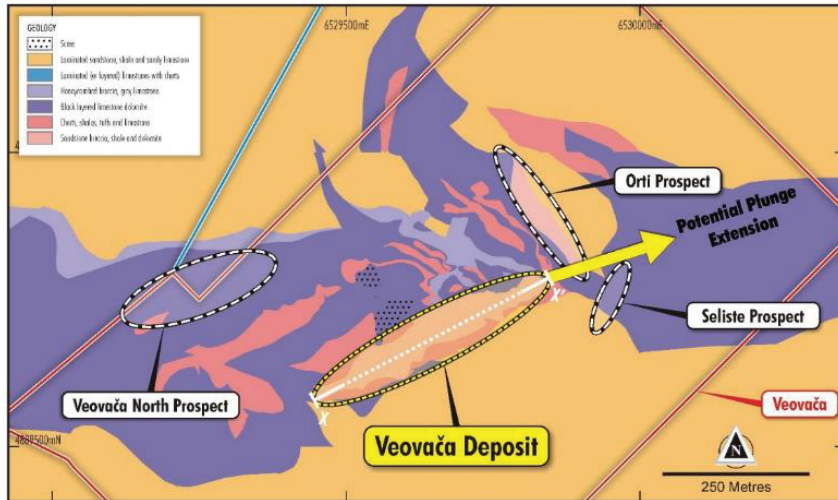
The host sequence at Veovača is broadly similar to Rupice, including Middle Triassic limestone, dolostone, marl, cherty mudstone, mudstone and siltstone. However, mineralization is hosted within a prominent conglomeratic unit that is much better developed than at Rupice. Dolostone breccia similar to Rupice is also present at Veovača, but the dominant lithology is a polymict matrix- to clast-supported sub-rounded to sub-angular conglomerate without obvious bedding. This is most likely a mass-flow sedimentary deposit related to syn-sedimentary faulting.

The mineralized zone at Veovača trends west-northwest to east-northeast and plunges to the east-northeast. This was previously interpreted to occur in an east-northeast plunging synform with breccia at its core, but this has not been confirmed by more recent work.

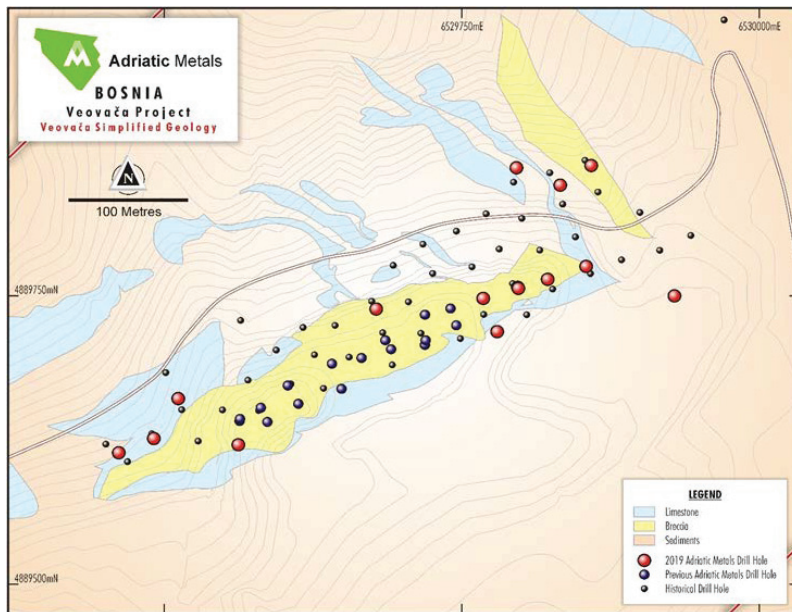
In the open pit at Veovača, the mineralized conglomeratic unit has a faulted footwall contact with strongly deformed mudstone and siltstone with thin limestone beds. The hangingwall consists of interbedded red mudstones and siltstones with thick dolostone or limestone horizons. In drill core, limestone and calcareous marl occur in the footwall. The local lithostratigraphy is poorly defined.

Deformation in the host sequence at Veovača is more intense than at Rupice with an extensively developed compressional fabric that is oblique to bedding. However, fabric formation is domianial, and the conglomeratic unit and mineralization may be largely undeformed. Tight folding is apparent in local road-cuts and in the open pit, the footwall sequence includes a steep overturned fold limb.

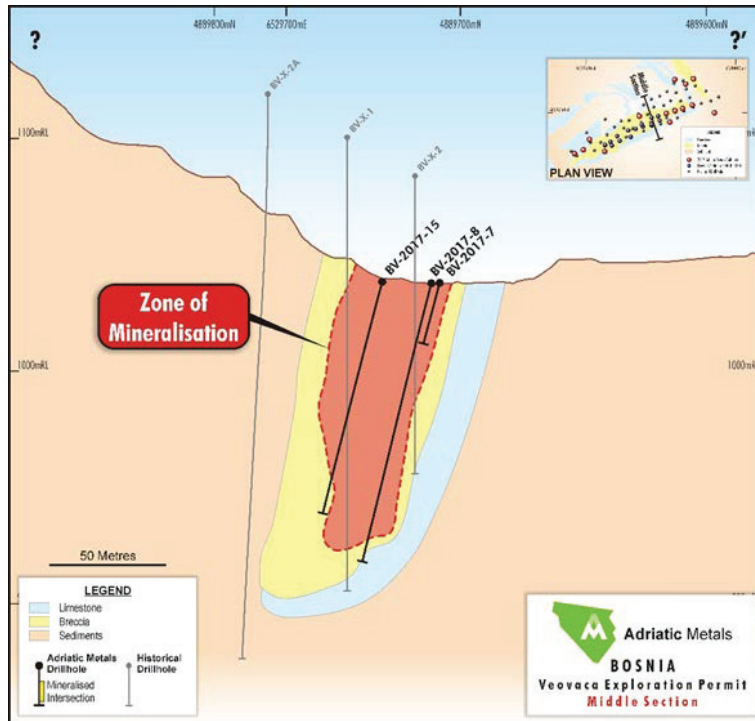
Mineralization at Veovača is generally undeformed, however this appears to reflect resistance to deformation, which is highly domianial, rather than late post-deformational mineralization. Fabrics are locally developed in mineralized rock and remobilization of barite and sulphides into clast pressure shadows has occurred locally.



Veovača plan view with geology mineralization demonstrating the potential plunge of mineralization (the grid is MGI 1901/Balkans Zone 6). Note: Figure modified from Adriatic website.

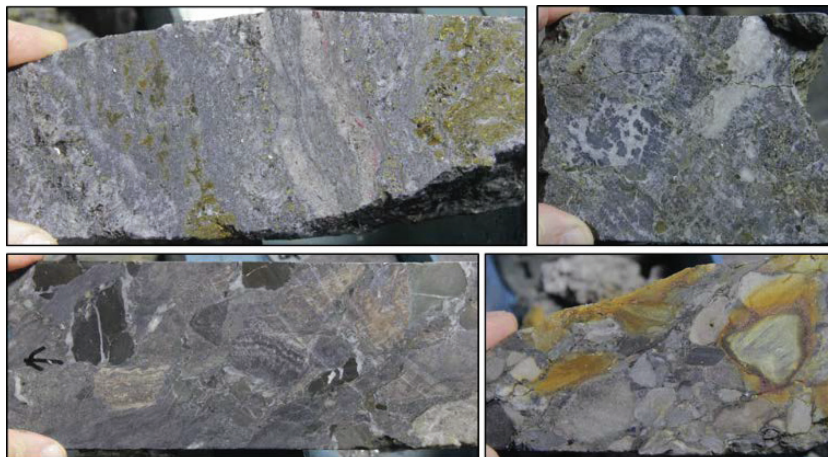


Simplified geology map of Veovača showing drill collars. Source: Adriatic, 2019E



Simplified typical geological cross section through Veovača (section 10 looking east-northeast). Source: Adriatic (2019E)

At Veovača, massive mineralization similar to Rupice is also present and associated with highest grades, but most mineralization occurs within the conglomeratic unit where it selectively replaces certain clasts (probably limestone and dolostone) and the matrix, which is probably calcareous or dolomitic. Clasts of sandstone and mudstone are not replaced. Grade of mineralization appears to be related to the variable conglomeratic composition and texture; highest grades occur in dolostone conglomerate when clasts and matrix are replaced, moderate grades in matrix- to clast-supported coarse conglomerate with dolomitic clasts and probably matrix, low grades are associated with clast-supported conglomerate dominated by siliciclastic clasts.



Veovača mineralization. Top left: Banded massive mineralization. Top right: Massive breccia mineralization where clasts and matrix have been replaced. Bottom left: Breccia mineralization with some clasts fully replaced while siliciclastic clasts are not replaced. Bottom right: low-grade mineralization in the matrix of clast-supported conglomerate.

Mineralization Model

The polymetallic barite-sulphide mineralization at Rupice and Veovača is not exhalative as described by Palinkaš *et al.* (2008) and by the Geological Institute in Bosnia; exhalative mineralization is not possible within high-energy conglomeratic sediments. The mineralization setting, chemistry and style is different from shale-hosted massive sulphide (SHMS or Sedex) deposits globally, nor does it show characteristics of volcanogenic massive sulphide (VMS) deposits especially as there is no direct association with volcanic rocks.

Mineralization at Rupice and Veovača occurs in a carbonate-dominated sedimentary sequence deposited in an active marine rift setting, following a period of alkaline volcanism. Sedimentary breccia or conglomeratic units provide evidence for active faulting during sedimentation, and there is sedimentary evidence for rapid subsidence and a deepening depositional environment.

Mineralization is dominantly replacement-style with subordinate veining. Mineralization is interpreted to preferentially replace carbonate-bearing lithologies, primarily dolostone and dolomitic sedimentary breccia with subordinate mineralization in dolomitic marls. The grade of mineralization at Veovača appears to be directly related to the amount of carbonate in the precursor sedimentary breccia host-rock.

Dolomitization is interpreted to be an important “ground preparation” alteration event, generating a coarse grained more permeable and reactive rock mass. Dolomitization predates mineralization and probably reflects a basinal brine fluid flow event accompanying extension and subsidence.

In an environment with active syn-sedimentary faulting, significant lateral variation of sedimentary facies and unit thickness is to be expected. Variation of the thickness of preferred host units may result in some of the thickness variation observed in the stratabound mineralized zones (e.g. dolostone host thickness at Rupice).

The polymetallic metal association with Fe, Zn, Pb, Cu, Ag, Au, Sb, As, Hg and Ba strongly suggests a component of magmatic fluid in the mineralizing system. The barite is intergrown with sulphides in both massive replacement and vein mineralization and barite and sulphides are unlikely to have formed separately. Fluids are therefore likely to have been relatively high temperature to carry both metals and barium in the same, probably oxidizing, fluid. If evaporites were present in the rift, they may have contributed to fluid salinity allowing a greater metal carrying capacity.

A relatively early timing for mineralization is suggested by the fact that mineralization predates the compressive Alpine deformation event and associated faulting. The potential trigger events for a hydrothermal mineralizing system are early

rifting and magmatism, or the compressive Palaeogene deformation event. The latter was relatively thin-skinned and cool and without associated magmatism in the Inner Dinarides.

In summary, the Rupice and Veovača deposits are interpreted to have formed mainly by replacement, principally of dolomitic rocks, in a high heat-flow rift setting with mixing of magmatic fluids and basinal brines. The siderite-hematite iron deposits with associated barite and base metals are interpreted to be part of the same mineralizing system. The high mercury content in the Vareš deposits also suggests that the epigenetic mercury vein deposits were part of the same metallogenic event.

The Vareš deposits are unusual in their metal content, style and setting and do not have any obvious direct analogues globally. They show some similarities with the polymetallic mineralization associated with post-collisional Neogene alkaline magmatism in southeast Spain, including the La Union Sierra de Cartagena and Rodalquilar districts. These deposits include mantos and epithermal mineralization with barite, zinc, lead, copper, antimony, silver and gold.

Deposit Types

Mineralization Styles

The polymetallic mineralization in the Vareš district is associated with Middle Triassic rifting. Mineralization is predominately hosted in the matrix of a polymictic breccia of banded shale, siltstone or sandstone clasts, both overlain and underlain by a succession of sandstone, siltstone, shale or limestone. Mineralization has also been observed by Adriatic geologists as semi-conformable with the lithology, though limited in extent.

The Vareš district hosts several varieties of zinc-lead polymetallic mineralization:

- Irregular breccia hosted with moderate grade zinc, lead, barite, and silver (Veovača and Orti).
- Massive barite with high grade zinc-lead-copper sulphides containing silver and gold (Rupice).
- Massive zinc-lead-copper-silver sulphide mineralization in faults (Jurasevac, Brestic and Mekusa).
- Siderite breccia with medium grade zinc-lead sulphides with silver (Droshkovac and Smreka).
- Barite concentrations with zinc-lead sulphides (Brezik, Smailova Suma).

Mineralogy across the various mineral occurrences includes sphalerite, galena, chalcopyrite, barite, minor tetrahedrite, and pyrite; with associated silver and gold. There are also rare occurrences of stibnite and cinnabar.

Exploration

Exploration activities at the Vareš Project were predominantly diamond drilling but also involved:

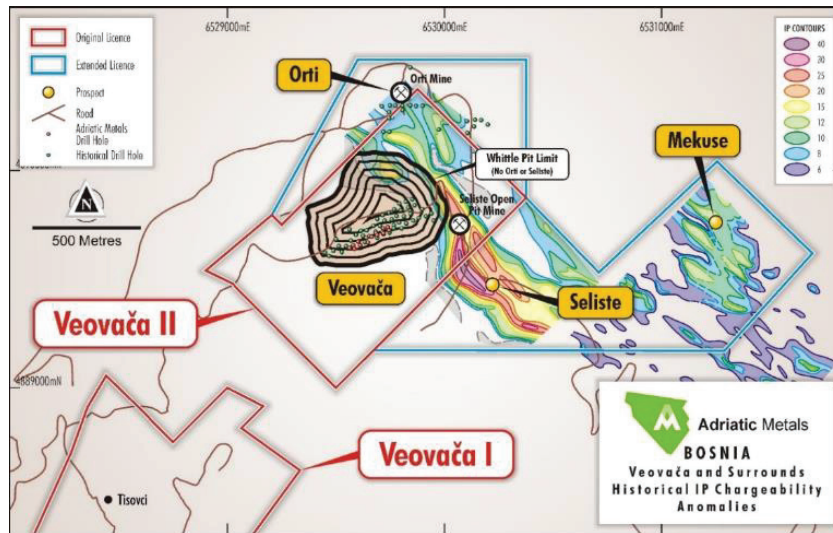
- geophysical (induced polarisation and gravity);
- soil sampling; and
- light detection and ranging (LiDAR) survey and ground truthing.

Exploration has generally been focused at Veovača and Rupice projects with limited exploration activities on mineral occurrences within the prospective Vareš Triassic sedimentary package.

Induced Polarisation Surveys

Several historical IP programs were completed between 1960 and 1970 at Veovača. A gradient array survey to the northeast of the open pit mine highlighted northwest-trending chargeability anomalies, orthogonal to the northeast-trending

orientation of mineralisation in the pit. The anomaly extends from Orti southeast to Seliste, northeast of the Veovača pit, while another anomalous trend was defined over the Mekuse prospect (below).

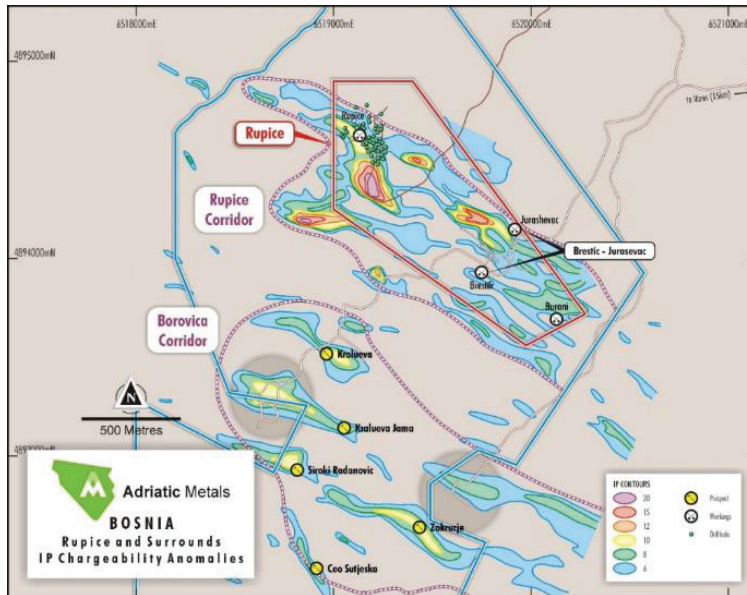


Historical IP at Veovača with chargeability anomalies (the grid is MGI 1901/Balkans Zone 6)

Source: Adriatic, 2018B

At Rupice, historical IP programs cover the majority of the Concession and part of the larger target area (figure below). The Rupice and Jurasevac prospects are highlighted by moderate to high chargeability anomalies. Several prospects in the Borovica corridor surrounding the Concession are also highlighted.

Chargeability anomalies extend to the southeast between Rupice and Jurasevac-Brestic but these trends have not been drill tested. Other anomalies in the area (at Upper Borovica and Lower Borovica localities) have not been followed up by drilling either, though some of these are outside the Adriatic granted Concession.

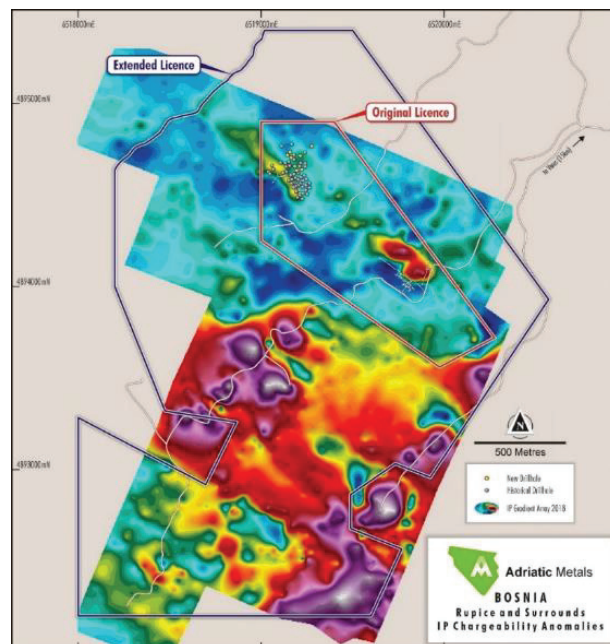


Plan view of Rupice and geophysical (IP) anomalies (100 m spaced lines)

Note: Contour units are Mv/Ms. The grid is MGI 1901/Balkans Zone 6.

Source: Adriatic

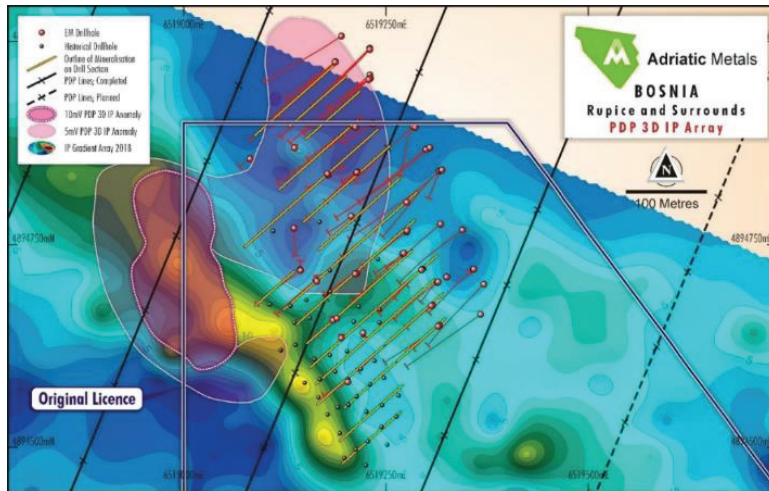
Adriatic completed IP (gradient array) programs cover the majority of the Rupice and part of the regional prospect area in 2018 (figure below). The Rupice and Jurasevac prospects are highlighted by moderate to high chargeability anomalies. In addition, 5 km to the southwest of Jurasevac, there is a parallel chargeable anomaly, within the regional prospect area.



Plan view of the gradient array IP and prospects (100 m east-west grid; 50 dipoles) – the grid is MGI 1901/Balkans Zone 6.

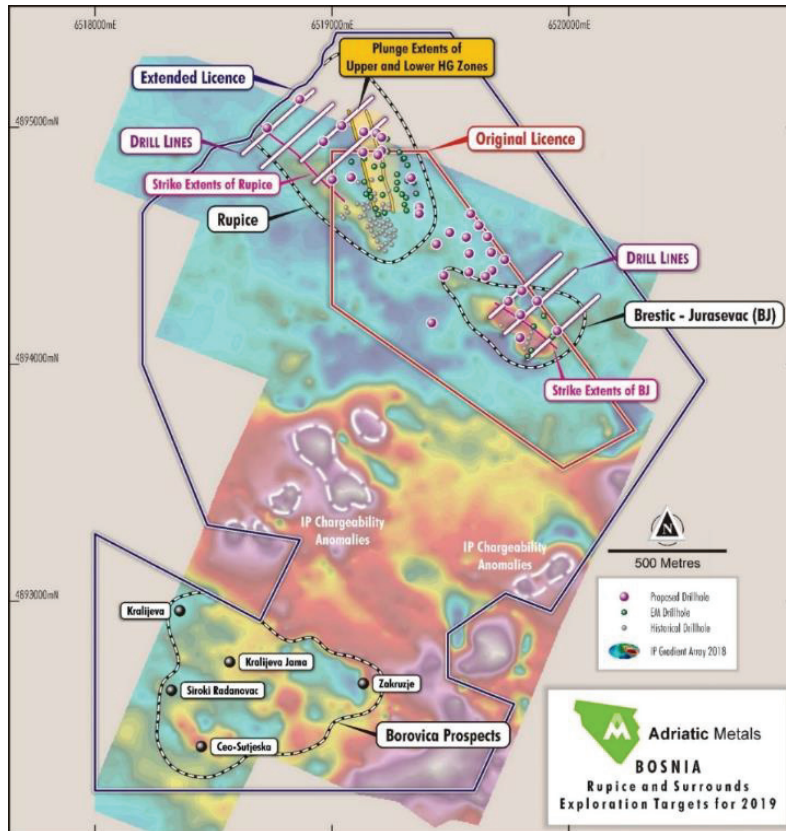
Source: Adriatic, 2019A.

In 2019, a detailed high-powered (30 kVA) IP survey using a pole-dipole 3D (PDP3D) array method was completed over the Rupice and Brestic-Jurasevac target area. Preliminary results have demonstrated that the known mineralisation has a clear IP chargeability response. An additional anomaly has been defined approximately 200 m west of the current and historical drilling (PDP3D figure below) in an untested location. Further work is required to ensure the integrity of the preliminary results. PDP3D IP surveying continues at Brestic-Jurasevac and Borovica prospects identifying further exploration targets for 2019 (IP figure below). Highly anomalous lead values in recent soil sampling coincides with the IP chargeability anomalies and Rupice prospect and Brestic-Jurasevac workings



PDP3D IP response over and to the west of the Rupice mineralisation

Source: Adriatic, 2019D

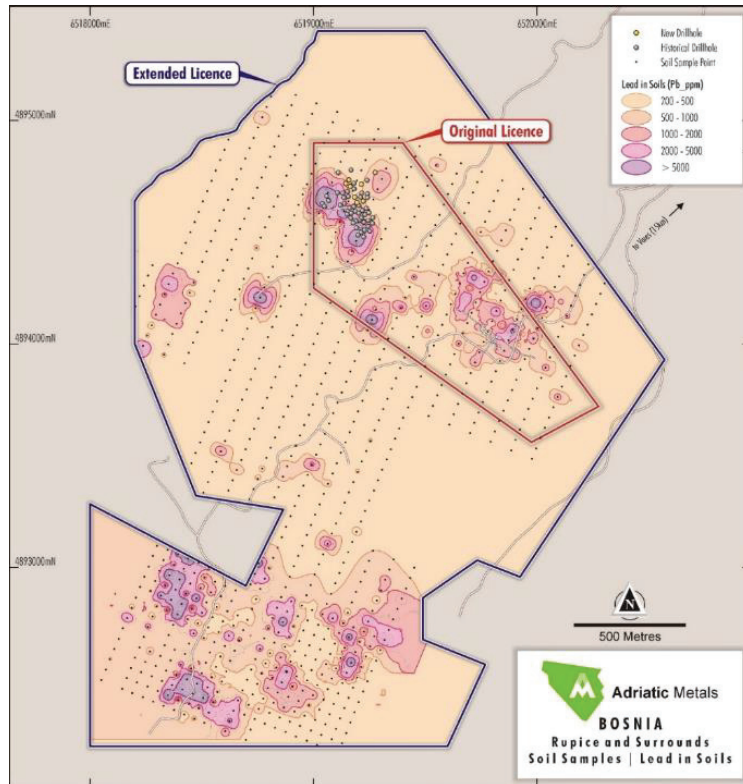


IP chargeability targets identified for follow-up work in 2019–2020

Source: Adriatic, 2019B

Geochemical Sampling Programs

Soil sampling was completed at Rupice, lead anomalies are coincident with IP anomalies as shown below.



Soil sample lead results for the Rupice deposit and surrounding IP chargeability targets
Source: Adriatic, 2019B

Light Detection and Ranging Survey

A LiDAR survey undertaken by Hansa Luftbild of Germany in mid-September 2018 to a better than 5 cm accuracy.

Follow-up ground truthing has identified extensive historical surface mining at Orti and Mekuse. Adriatic considers the Orti and the Veovača North diggings to be possible faulted repetitions of the Veovača mineralisation (whilst the mineralisation at Mekuse appears to have a different stratigraphic alignment at a very high angle to the Veovača trend).

Drilling

Overview

Drill data can be divided into:

- Historical diamond holes; drilled intermittently between 1952 and 2017; and
- Eastern Mining diamond drilling between 2017 and the present.

Summary of historical drilling

Project	No. of DD holes	DD metres
Veovača	51	8,021
Rupice	49	5,960
Total	100	13,982

Summary of Eastern Mining drilling (2017 to 30 April 2020)

Project	No. of DD holes	DD metres
Veovača	33	3,723
Rupice	112	30,339
Rupice (Jurasevac-Brestic)	12	2,194
Total	157	36,256

Veovača Drilling Summary

There have been several periods of exploration at the Veovača deposit commencing in the 1960s and follow-up work in the late 1970s. Exploration consisted of an initial small program of diamond core drilling and surface trenching (1968–1970), followed by the development of exploration adits and drives. A more substantial program of diamond core drilling was completed in the 1970s. In all, a total of 51 diamond drillholes were completed for approximately 8,000 m.

All historical drillholes were assayed for lead, zinc and barite and, very occasionally, copper and mercury.

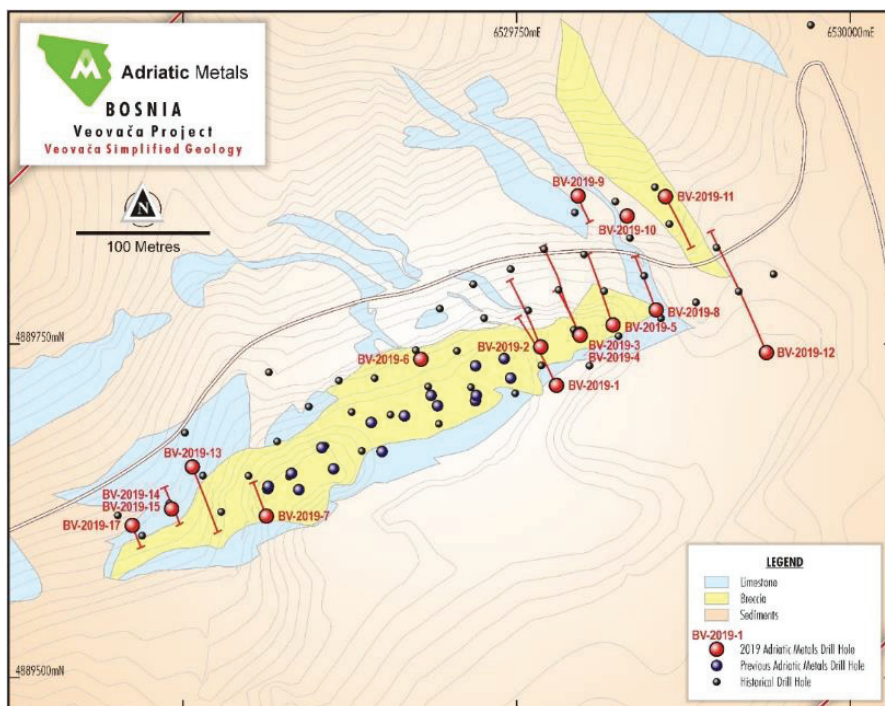
Eastern Mining drill campaigns at Veovača

Period	No. of holes	Drillhole IDs	Metres drilled
27 April to 2 June 2017	9	BV-2017-1 to BV-2017-9	739.1
20 September to 18 October 2017	7	BV-10-2017 to BV-16-2017	642.2
23 January to 16 May 2019	17	BV-2019-01 to BV-2019-17	2,340.6

Adriatic completed 16 new drillholes in 2017 for 1,379 m to supplement and confirm some of the 48 historical drillholes, areas of adit sampling, and open pit grade control samples. Due to access constraints in and around the old open pit, Adriatic drilled a combination of vertical and steeply inclined holes. All holes intersected the mineralisation within the core of the upright synform mostly from surface or near surface with drilling at a high angle to the axial plane of the synform.

No drilling took place at the Veovača deposit during 2018. During 2019, an additional 17 drillholes were undertaken for a total advance of 2,342 m with the intention to include both base and precious metals into an updated MRE. A plan map of the completed holes as of 22 July 2019 is shown below. Three holes were drilled vertically and the remainder between 50° and 80° towards the north-northeast or south-southeast in order to best intersect the steeply dipping mineralisation.

Limited drilling was completed at the Orti prospect, a single hole in 1969, 17 holes between 1984 and 1986 and one hole in 1990, whilst at Mekuse seven holes were drilled between 1968 and 1970. Whilst CSA Global has viewed the drillhole geology logs for Orti, and cross sections showing the drilling at Mekuse, these prospects are yet to be explored in any detail. However, ground truthing has identified extensive historical surface mining at Orti and Mekuse undertaken during the Austrian-Hungarian period c. 1867–1918) and, following a detailed LiDAR survey, extensive surface diggings immediately north of Veovača were discovered. Adriatic considers the Orti and the Veovača North diggings to be possible faulted repetitions of the Veovača mineralisation, whilst the mineralisation at Mekuse appears to have a different stratigraphic alignment at a very high angle to the Veovača trend.



Plan map showing the location of drillholes completed within the Veovča deposit

Source: Adriatic, 2019E

Rupice Drilling Summary

In addition to Rupice, other known prospects include Jurasevac-Brestic and prospects in the Borovica corridor (Kraljeva Jama, Siroki Radakovac, Ceo Sutjeska and Zakruzje).

Previous exploration activities in the Rupice area commenced in 1952 and continued intermittently until 1990, initially focusing on barite mineralisation and later on the polymetallic mineralisation. During this period, Energoinvest completed over 60 holes for 7,000 m targeting Rupice, Borovica and Jurasevac-Brestic. These indicated the presence of polymetallic mineralisation at Rupice and Jurasevac-Brestic.

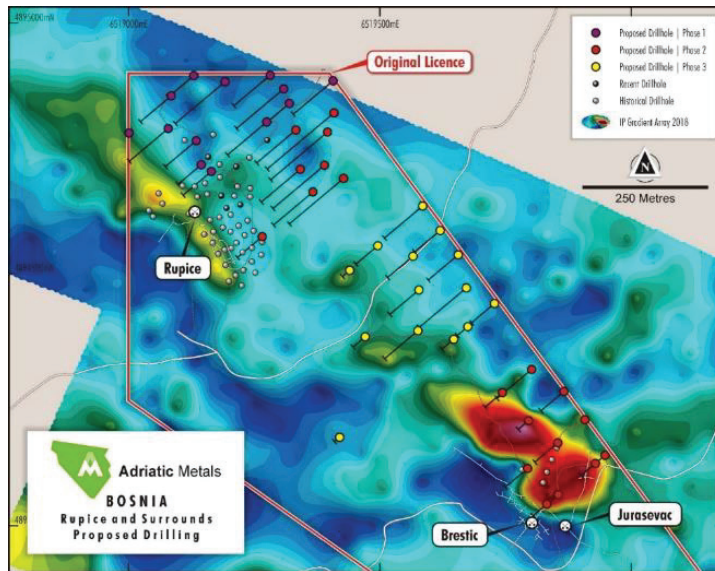
Eastern Mining drill campaigns at Rupice

Period	No. of holes	Drillhole ID	Metres drilled
14 June 2017 to 9 September 2017	8	BR-1-17 to BR-8-17	1,112.7
24 April 2018 to 23 December 2018	45	BR-1-18 to BR-39-18 and BJB-1-18 to BJB-6-18	10,961.6
15 March 2019 to 21 December 2019	55	BR-01-19 to BR-49-19 and BJB-1-19 to BJB-6-19	16,031.8
19 January 2020 to 30 April 2020	16	BR-01-20 to BR-16-20	4,082.5

Adriatic completed eight holes at Rupice for 1,458 m in 2017. Drilling targeted down plunge of the mineralisation to confirm historical results and assay additional elements, including copper, gold and silver.

Based on the conclusions of the 2017 exploration program, Adriatic commenced a targeted 15,000 m drill program at Rupice on the 7 May 2018 which continued into 2019. Drilling was split into three phases to test several key anomalies at Rupice and Brestic-Jurasevac (below). The first phase focused on targets in the Rupice north zone and followed the northerly

extensions over 220 m of strike length (up to the current licence boundary), including the expected down dip and down plunge extensions of the mineralisation.



Rupice Licence Phase 1, 2 and 3 plan collar locations

The northerly extension of Rupice was where both historical and 2017 drilling had intersected high grades of base and precious metals, and also where geophysics had shown possible extensions of the mineralisation to the northwest. Phase 2 targeted the southerly extension of the Rupice mineralisation, including the down-dip and up-plunge extensions of the mineralisation over a strike length of 100 m. Phase 3 drilling targeted the area near the historical Brestic-Jurasevac underground workings and exploration drives, referred to as the BJ Zone.

Summary of Historical Drilling

The historical exploration was conducted and managed by Energoinvest a parastatal company and reported under the authority of the Geological Institute, Ilidža (Sarajevo), a highly regarded and well-funded exploration and geoscientific research facility, with active support from various facilities including:

- Mine and steel works at Vareš (Bosnia) operated by Energoinvest;
- Mežica mining centre (Bosnia); and
- Trepča lead and zinc smelting operations at Zvečan (Serbia).

Historical exploration activities were often reported as six-monthly or annual reports. These contain very detailed accounts of the work conducted, the results obtained; and comprehensive details of the drilling conducted, sampling methodology, and certified assay data. Many of these reports have been translated in full or in part by Eastern Mining.

It is noted that no historical drill core exists, except as a small heap of “discarded” core pieces, some bagged with occasionally legible identification (drillhole and “from and “to”). But for the most part the past practice was whole core was assayed for mineralised intervals, whilst the remaining core – “waste rock” – was discarded after the recording of recovery percent, rock quality designation (RQD) and lithology, etc.

Significant Intervals

Veovača

Significant historical lead and zinc intervals are listed in below. Historical drilling was vertical and as the mineralisation lies within an upright synform, drillholes either intersected mineralisation from surface to the keel of the synform and into barren footwall or missed mineralisation completely.

Veovača significant historical drill results

Drillhole	From (m)	To (m)	Interval (m)	Pb (%)	Zn (%)	BaSO ₄ (%)
BV-I-3	0.0	20.0	20.0	2.6	3.1	31
BV-II-2	18.0	36.0	18.0	1.3	3.3	11
BV-III-1	0.0	12.0	12.0	1.4	1.7	30
BV-III-1	20.0	26.0	6.0	2.8	3.5	33
BV-III-3	0.0	10.0	10.0	3.6	5.0	58
BV-III-3	18.0	40.0	22.0	1.5	1.9	17
BV-IV-2	17.0	33.0	16.0	1.7	1.4	13
BV-IV-2	35.0	55.5	20.5	1.9	3.2	27
BV-IX-1	0.0	34.0	34.0	0.9	1.1	11
BV-IX-1	42.0	66.0	24.0	0.9	1.1	11
BV-IX-1	76.0	140.0	64.0	0.7	1.6	13
BV-IX-1A	46.0	54.0	8.0	0.2	1.4	0
BV-IX-1A	62.0	86.0	24.0	1.1	1.2	19
BV-IX-3	4.0	10.0	6.0	0.4	2.1	40
BV-IX-3	46.0	68.0	22.0	1.7	3.7	32
BV-V-3	6.0	70.0	64.0	2.6	3.2	37
BV-VI-2	0.0	10.0	10.0	0.6	0.5	9
BV-VI-2	18.0	108.0	90.0	3.1	3.7	47
BV-VII-1	8.0	124.0	116.0	0.7	3.3	24
BV-VII-1A	112.0	120.0	8.0	1.0	1.0	0
BV-VII-3	10.0	30.0	20.0	0.5	1.8	14
BV-VII-3	42.0	60.0	18.0	1.1	3.9	37
BV-VIII-1	48.0	57.0	9.0	1.3	1.5	16
BV-VIII-2	10.0	30.0	20.0	0.8	0.9	19
BV-VIII-2	52.0	110.0	58.0	1.6	2.4	30
BV-X-1	18.0	40.0	22.0	1.5	2.3	24
BV-X-1	64.0	78.0	14.0	0.7	1.0	11
BV-X-1	100.0	118.0	18.0	0.7	0.7	13
BV-X-1	130.0	179.0	49.0	0.8	1.1	15
BV-X-2	37.0	63.0	26.0	0.7	0.9	10
BV-X-2	71.0	95.0	24.0	0.8	1.1	14
BV-X-2A	40.0	50.0	10.0	0.5	0.6	0
BV-XI-1	0.5	26.0	25.5	2.9	3.1	38
BV-XI-1	38.0	50.0	12.0	0.7	1.1	7
BV-XI-1	76.0	146.0	70.0	1.1	1.2	14
BV-XI-1A	108.0	114.0	6.0	0.7	1.3	13
BV-XI-1A	120.0	128.0	8.0	0.9	2.1	11

Drillhole	From (m)	To (m)	Interval (m)	Pb (%)	Zn (%)	BaSO ₄ (%)
BV-XI-1A	150.0	158.0	8.0	0.7	1.5	9
BV-XI-3	68.0	78.0	10.0	1.3	3.9	33
BV-XI-3	93.0	103.0	10.0	0.8	0.6	6
BV-XII-1	7.0	101.0	94.0	1.1	1.6	16
BV-XII-1	107.0	161.0	54.0	1.0	1.2	12
BV-XII-1	167.0	177.0	10.0	0.7	0.9	9
BV-XII-1A	83.5	101.0	17.5	1.2	1.5	31
BV-XII-1A	108.7	120.5	11.8	0.9	1.1	35
BV-XII-1A	180.5	214.5	34.0	3.3	3.2	42
BV-XIII-1	10.0	38.0	28.0	0.9	1.9	2
BV-XIII-1	60.0	74.0	14.0	2.2	2.4	37
BV-XIII-1	132.0	166.0	34.0	0.7	1.6	19
BV-XIII-4	120.0	138.0	18.0	0.6	0.7	7
BV-XIII-4	164.0	172.0	8.0	1.0	1.3	16
BV-XIII-4	190.0	233.0	43.0	2.3	3.1	36
BV-XIII-5	179.0	191.0	12.0	1.1	1.1	22
BV-XIV-2	44.0	54.0	10.0	0.7	0.9	6
BV-XIV-3	112.0	117.5	5.5	0.5	0.7	0
BV-XIV-3	164.0	180.0	16.0	0.7	1.2	12
BV-XIV-3	190.0	207.7	17.7	1.1	1.8	19
BV-XIV-4	30.0	35.0	5.0	0.2	1.1	1
BV-XIV-4	172.8	216.0	43.2	1.1	1.8	17
BV-XIV-5	75.0	80.0	5.0	0.2	1.1	0
BV-XIV-5	235.0	248.0	13.0	1.1	0.6	4
BV-XV-2	172.0	192.0	20.0	0.6	0.8	9
BV-XV-3	213.0	222.0	9.0	1.8	2.0	21
BV-XV-4	60.0	65.0	5.0	1.1	0.1	0
BV-XV-4	240.0	250.0	10.0	2.5	2.5	41
BV-XVII-2	145.0	163.0	18.0	0.6	0.9	9

Note: Intersections greater than 4 m interval at grades using lead + zinc greater than 1% with cut-off with no more than two consecutive intervals below cut-off. BaSO₄ = Barite.

Seven diamond drillholes at Veovača were previously assayed by Energoinvest for silver with three drillholes returning the following results (below).

Veovača silver intervals greater than 5 m (with greater than 30 g/t Ag with less than two consecutive intervals <30 g/t Ag)

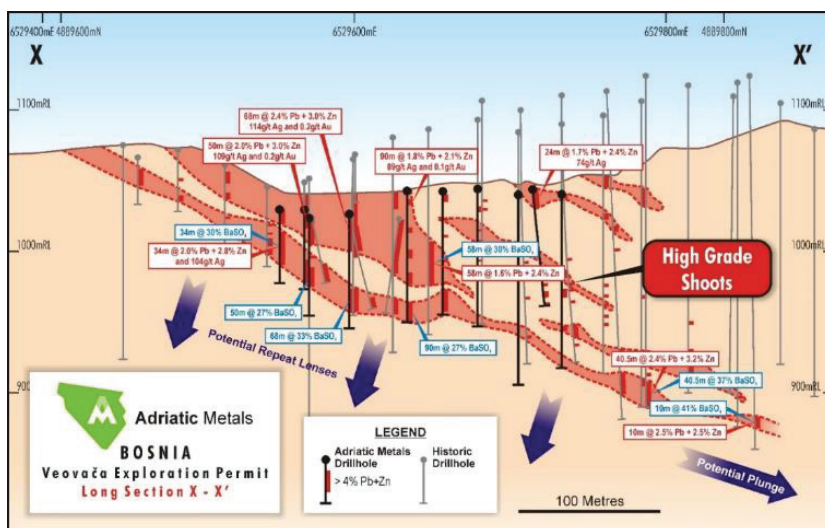
Drillhole	From (m)	Interval (m)	Ag (g/t)
BV-IX-1A	62	24	71
BV-XI-1A	152	6	44
BV-XIII-5	179	12	45

Significant results from the Eastern Mining 2017 drilling are listed below. The program was designed to validate the historical sample database consisting of diamond drilling, adit sampling and open pit grade control samples.

Adriatic drilling results at Veovača with intervals greater than 5 m (using Pb + Zn greater than 1% with, with no more than two consecutive intervals below cut-off)

Drillhole	From (m)	Interval (m)	Zn (%)	Pb (%)	BaSO ₄ (%)	Au (g/t)	Ag (g/t)
BV-2017-1	0	10.6	6.6	5.3	63	0.2	233
	12.6	27.4	3.7	2.2	39	0.4	121
	46	24	4	2	26	0.1	91
BV-2017-2	0	52	2.9	1.9	27	0.2	106
BV-2017-3	0	34	2.9	1.9	30	0.2	105
BV-2017-4	4	88	2.3	2	28	0.1	99
BV-2017-5	0	40	1.3	0.8	10	0.1	37
BV-2017-6	0	88	1.9	1.3	17	0.1	54
BV-2017-7	Hole abandoned before target						
BV-2017-8	6	12	1.1	0.7	7	0	27
	32	80	1.3	0.9	12	0.1	37
BV-2017-9	0	20	1.5	1.4	17	0.1	55
	34	42	1.2	1	13	0.1	46
	84	38	2.6	1.7	20	0.1	77
BV-2017-10	0	42	3.2	2.6	37	0.2	125
BV-2017-11	22	38	2.1	1.6	17	0.1	63
BV-2017-12	0	52	3.3	2.7	39	0.2	133
	64	16	3.8	2.8	28	0.1	115
BV-2017-13	14	84	2.9	2.4	30	0.1	106
BV-2017-14	0	20	0.9	0.7	8	0	23
BV-2017-14	34	24	1.8	0.9	13	0.1	50
BV-2017-15	0	24	2.5	1.4	17	0.1	71
	34	16	0.9	0.7	9	0	27
	58	26	2.2	1.6	17	0.1	70
BV-2017-16	18	24.5	0.9	0.5	5	0	21
	68.5	20	1.7	1.4	15	0.1	53

The below figure and table documents significant intersections from the 2019 drilling at Veovača.



Long section of Veovača mineralisation and potential targets – the grid is MGI 1901/Balkans Zone 6 (modified from Adriatic presentation) demonstrating potential for repeat lenses below the pit

2019 drillhole intersections at Veovača (using Pb + Zn greater than 1% with no more than two consecutive intervals below cut-off and greater than 5 m interval); true thickness approximates intersection widths

Drillhole	From (m)	Interval (m)	Zn (%)	Pb (%)	BaSO ₄ (%)	Au (g/t)	Ag (g/t)
BV-2019-1	42	12	2.7	2	27	0.1	83
	64	12	1.1	0.8	9	0	37
	82	72	1.4	1.2	13	0.1	48
BV-2019-2	12	8	0.7	0.5	7	0.1	22
	28	28	2	1.3	15	0.1	57
	66	22	1.1	0.9	11	0	32
	98	14	3	2.4	27	0.1	94
BV-2019-3	0	36	1.9	1.6	28	0.1	82
	56	8	2.5	0.2	0	0	1
	88	20	0.7	0.6	8	0.1	26
BV-2019-4	0	78	2.3	1.5	22	0.1	68
	88	64	2.3	1.5	21	0.1	88
BV-2019-5	2	26	1.2	0.8	14	0.1	40
	34	16	0.9	0.6	7	0.1	30
	60	8	1.7	1	0	0	2
	122	30	1.8	1.7	19	0.1	64
BV-2019-6	8	58	2.5	2	23	0.1	87
BV-2019-7	30	12	3.3	3.3	43	0.2	177
BV-2019-8	28	30	1.3	0.8	9	0.1	31
	76	6	0.8	0.5	5	0	22
	96	10	2.1	0.3	0	0	3
	142	20	0.8	0.6	8	0	27
BV-2019-9	No significant intersection						
BV-2019-10	No significant intersection						

Drillhole	From (m)	Interval (m)	Zn (%)	Pb (%)	BaSO ₄ (%)	Au (g/t)	Ag (g/t)
BV-2019-11	No significant intersection						
BV-2019-12	140	24	1.5	1.2	16	0.1	53
	178	12	1.3	0.9	15	0.1	45
BV-2019-13	14	28	1.4	1.1	14	0.1	47
	50	16.5	3.4	2	36	0.2	148
BV-2019-14	4	38	2.5	1.5	20	0.1	73
BV-2019-15	No significant intersection						
BV-2019-16	22	12	0.6	0.3	0	0	1
BV-2019-17	8	20	4.2	2.4	32	0.3	107

Rupice

Significant results from historical drilling at Rupice are listed below. Historical drillholes were all vertical and intersected the mineralisation at a high angle to the general dip so that true thickness of the intersections is likely to be 65% of the downhole intercept. According to Adriatic records, less than one-third of the historical drillholes in Rupice were assayed for silver or gold.

Historical drillhole intersections at Rupice (using Pb + Zn greater than 1% with no more than two consecutive intervals below cut-off and greater than 5 m interval)

Drillhole	From (m)	Interval (m)	Zn (%)	Pb (%)	BaSO ₄ (%)	Au (g/t)	Ag (g/t)	Cu (%)
BR-1-86	77	26	1.9	1.4	19	n/a	n/a	n/a
BR-9-82	60	17	3	2.6	64	n/a	223	0.3
	83	10	1	0.3	2	n/a	n/a	n/a
BR-10-81 Including re-assay	85	51	2.4	1.8	59	n/a	n/a	n/a
	90	34	n/a	n/a	n/a	1.8	195	n/a
BR-14a-80	4	27	2	1.3	74	n/a	n/a	0.3
	90	34	n/a	n/a	n/a	1.8	195	n/a
BR-19-80	19	10	2.3	1	14	n/a	n/a	n/a
BR-20-80	49	14	2	1	47	n/a	518	0.2
BR-24-82	66.4	11.4	3.8	2.8	85	1.1	273	0.3
BR-25-81	88	34	0.9	1	38	n/a	n/a	n/a
	90	26	n/a	n/a	n/a	0.7	n/a	n/a
BR-27b-81	52	6	0.5	0.9	46	n/a	59	0.3
BR-29-82	101	9	0.5	0.5	26	n/a	39	0.2
BR-30-82	123	15	2.2	2.1	35	n/a	221	0.7
BR-33-82	99	14	1.9	1.7	3	0.6	43	0.7
BR-34-82	32	14	0.9	0.5	21	1.1	113	0.5
BR-46-86	152	10	5.6	4.1	54	n/a	n/a	n/a
BR-50-86	164	10.7	1	1.3	8	n/a	n/a	n/a
BR-58-86 Including	137.6	33.9	11.4	6.3	56	n/a	n/a	n/a
	141	24	14.8	8	61	n/a	n/a	n/a
BR-59-86 Including	129	24	4	2	41	n/a	n/a	n/a
	147	6	11.4	5.1	71	n/a	n/a	n/a
BR-60-86	97	9	2	2.2	22	n/a	n/a	n/a
BR-75-86	178	12	4.5	3.6	4	n/a	n/a	n/a
BR-76-89 Including	190	49	5.3	4.8	54	n/a	n/a	n/a
	204.4	10.8	9.3	8.8	67	n/a	n/a	n/a
BR-78-89	171.1	14.6	2	1.3	9	n/a	n/a	n/a
BR-79-89	196.6	7	8.9	5.2	42	n/a	n/a	n/a

The below table documents significant results from the 2017 drilling campaign at Rupice. From this work, Adriatic concluded that mineralisation was open at depth and along strike and that all the Adriatic drill intersections of zinc and lead mineralisation included significant grades of gold, copper and silver that had only been sparsely assayed in historical sampling. Adriatic identified that significant exploration potential existed adjacent and down dip to previous significant drill intersections, with the deepest drillhole by Adriatic, BR-1-17 intersecting 64 m at 5.1% Pb, 8.5% Zn, 1.0% Cu, 374 g/t Ag and 2.3 g/t Au. Drillholes were all vertical and intersected the mineralisation at a high angle to the general dip so that true thickness of the intersections is likely to be 65% of the downhole intercept.

Adriatic 2017 drilling results at Rupice (using Pb + Zn greater than of 1% with no more than two consecutive intervals below cut-off and a minimum of 5 m intervals)

Drillhole	From (m)	Interval (m)	Zn (%)	Pb (%)	BaSO ₄ (%)	Cu (%)	Au (g/t)	Ag (g/t)
BR-1-17	180	66	8.3	5	42	0.9	2.2	385
BR-2-17	No significant intercept							
BR-3-17								
BR-4-17	146	32	5.4	3.9	67	0.2	3.3	360
BR-5-17	No significant intercept							

Drillhole	From (m)	Interval (m)	Zn (%)	Pb (%)	BaSO ₄ (%)	Cu (%)	Au (g/t)	Ag (g/t)
BR-6-17	116	22	1.8	1.7	26	0.3	1.8	161
BR-7-17	94	40	8.2	5.5	57	0.6	3.6	479
BR-8-17	120	14	1	1	2	1	0	32

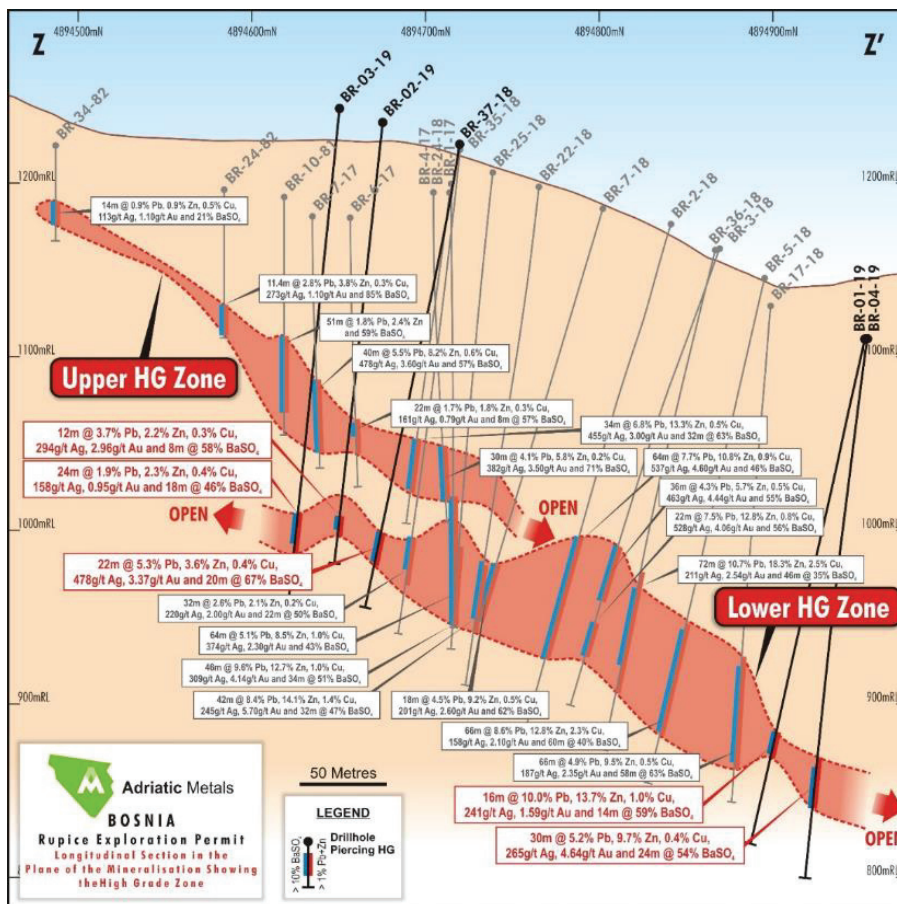
Significant intervals from the 2019 drilling campaign at Rupice are shown below.

Adriatic 2018–2020 drilling results at Rupice (using Pb + Zn greater than 1% with no more than two consecutive intervals below cut-off and greater than 5 m interval)

Drillhole	From (m)	Interval (m)	Zn (%)	Pb (%)	BaSO ₄ (%)	Au (g/t)	Ag (g/t)	Cu (%)
BR-01-18	Hole abandoned before target							
BR-02-18	210	68	10.3	7.3	44	4.3	612	0.8
BR-03-18	196	36	5.7	4.3	55	4.4	463	0.5
	244	22	12.8	7.5	56	4.1	258	0.8
BR-04-18	No significant intercept							
BR-05-18	210	66	12.8	8.6	37	2.1	158	2.3
BR-06-18	No significant intercept							
BR-07-18	228	18	9.2	4.5	62	2.6	201	0.5
BR-08-18	206	14	7.4	4.5	38	1.7	148	1.2
BR-09-18	No significant intercept							
BR-10-18	200	6	0.9	1.1	11	0.8	44	0.3
	238	32	9.6	5.2	50	3	238	0.5
BR-11-18	No significant intercept							
BR-12-18	200	18	8.2	4.2	27	1.4	131	0.8
BR-13-18	170	20	2	0.6	0	98.1	1	1.4
	220	24	14.8	7.7	53	3.7	167	0.7
BR-14-18	No significant intercept							
BR-15-18	194	8	0.5	0.8	53	1.4	43	0.1
BR-16-18	No significant intercept							
BR-17-18	204	66	9.5	4.9	56	2.4	187	0.5
BR-18-18	212	18	0.8	0.8	2	0.3	45	0.1
BR-19-18	No significant intercept							
BR-20-18	204	8	1.1	4.2	1	0.4	57	0.5
BR-21-18	No significant intercept							
BR-22-18	222	42	14.1	8.4	34	5.7	245	1.4
BR-23-18	74	12	1.4	2.8	16	0.8	228	0.3
BR-24-18	146	34	13.3	6.8	60	3	455	0.5
BR-25-18	218	46	12.7	9.6	40	4.1	309	1
BR-26-18	44	6	1.5	1.2	28	0.6	63	0.2
BR-27-18	92	10	1.4	0.9	23	1	51	0.5
BR-28-18	No significant intercept							
BR-29-18	218	6	1.8	2.2	66	3.2	252	0.3
	234	10	2.2	4.3	60	3.2	535	0.4
BR-30-18	No significant intercept							
BR-31-18	No significant intercept							
BR-32-18	192	16	1.3	1.4	4	0.4	49	0.2
	228	20	8.2	5.6	60	4.1	479	0.5
BR-33-18	228	36	4.9	3.2	45	2.7	306	0.5
BR-34-18	No significant intercept							
BR-35-18	228	20	2.9	3.9	51	3.1	349	0.4

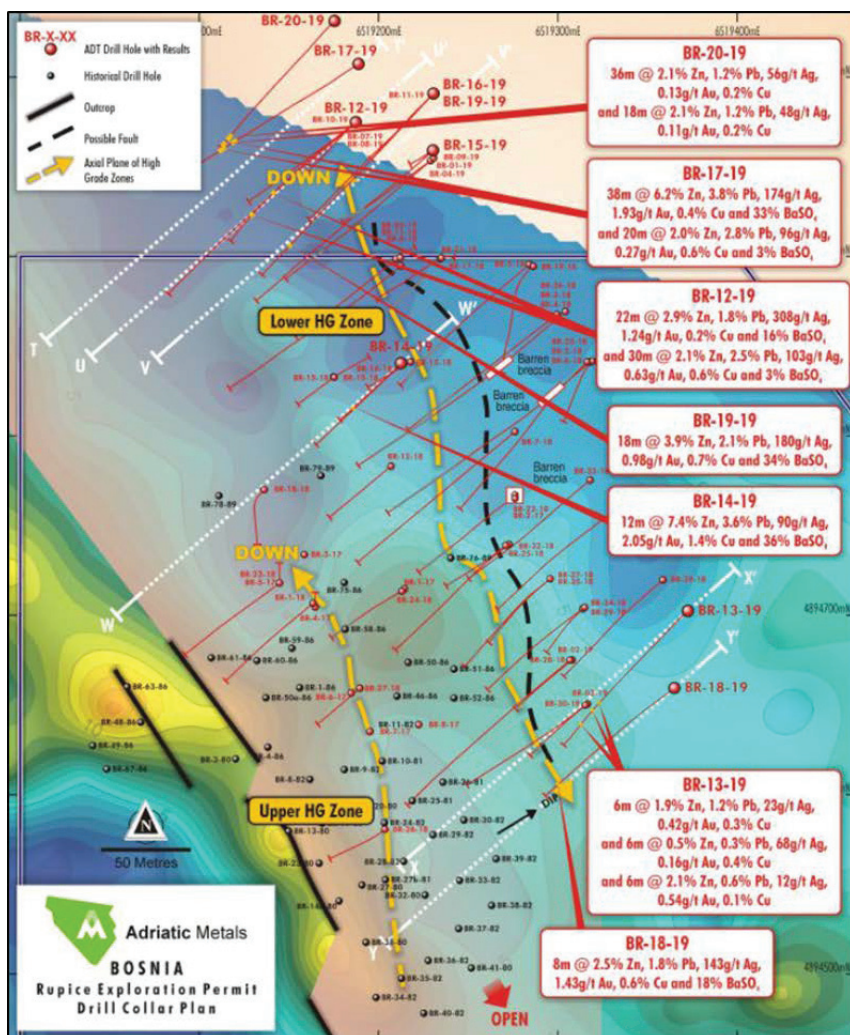
Drillhole	From (m)	Interval (m)	Zn (%)	Pb (%)	BaSO ₄ (%)	Au (g/t)	Ag (g/t)	Cu (%)
BR-36-18	206	72	18.3	10.7	25	2.5	211	2.5
BR-37-18	212	8	1.5	1.5	20	0.9	281	0.2
	232	20	4	5.8	64	3.7	525	0.4
BR-38-18	No significant intercept							
BR-39-18	Hole abandoned before target							
BR-01-19	206	10	0.9	0.2	4.3	0.7	26.6	0.1
	240	16	13.7	10	51.9	1.6	241	1
BR-02-19	218	6	3.1	2.4	38	2	193	0.2
	230	12	2.2	3.7	40	3	294	0.3
BR-03-19	216	6	2	2.2	52	2.9	460	0.4
	236	12	4	3	60	1.8	286	0.7
BR-04-19	250	26	11.1	6	50	5.3	304	0.4
BR-05-19	196	6	2.6	0.7	4	0	0	0
BR-06-19	252	14	1.2	0.6	0	0.3	14	0.8
BR-07-19	250	20	0.8	0.5	1	0.2	58	0.1
BR-08-19	202	16	1.6	1.7	29	1.4	208	0.3
	234	26	1.2	1.1	20	0.4	78	0.3
BR-09-19	232	28	3.3	2.4	29	1	162	0.3
BR-10-19	214	36	1.4	0.9	0	0.2	34	0.2
BR-11-19	258	8	4.4	2.8	55	3.2	364	0.3
	274	18	8.2	4.7	66	2.6	586	0.4
BR-22-19	238	6	13.1	12.5		11.3	1,019	1.3
BR-25-19	246	14	1.6	1.4		0.3	130	0.2
	302	26	0.7	0.6		0.1	18	0.3
BR-27-19	240	48	2.3	2.0	58	0.7	70	0.6
BR-41-19	248	10	3.5	3.6		0.5	58	0.6
	262	12	3.0	1.8	56	1.2	253	0.5
BR-43-19	330	16	5.3	3.4	47	2.8	536	0.5
BR-44-19	298	6	2.1	2.4	41	1.3	223	0.3
BR-47-19	390	2	1.6	0.8	5	0.1	64	0.4
	410	2	2.4	3.1	6	0.1	66	1.0
BR-49-19	244.7	11.3	16.1	9.8	50	4.4	406	1.0
BJB-5-19	84	6	3.3	0.2	0	0.01	1.0	0
BJB-6-19	144	2	1.1	0.9	19	0.5	442	0.1
BR-01-20	248	4	0.7	1.7	0	0.2	24	0.6
BR-02-20	368.5	8.9	1.8	3.2	45	2.4	398	0.4
BR-04-20	241	6.5	1.7	1.1	49	0.7	77	0.2
BR-06-20	275.5	26.7	6.8	3.8	72	4.0	502	0.4
	323	10.2	8.7	5.9	69	5.8	876	0.5
BR-07-20	181.7	9.3	3.1	3.9	59	3.5	393	0.4
	199	22.9	10.7	6.5	45	3.2	259	0.6
	229.6	4.2	3.2	2.5	9	0.8	65	0.2
BR-09-20	165	8	1.9	1.3	52	2.3	181	0.1
	198	31	9.5	8.1	36	3.9	335	0.7

Note: During the 2017, 2018, 2019 and 2020 drilling completed by Adriatic, correlation of lithological units between diamond drillholes, particularly the lower contact of the Mine Sequence with the turbiditic sandstone, suggest bedding and bedding parallel foliation dip broadly at around 45–50° to the northeast. Typical drilling azimuths are 230°, which is broadly orthogonal to the deposit stratigraphy, and with hole declinations generally 70°, the high core to bedding angles indicate that drilling intersects the mineralisation at reasonably high angles suggesting that downhole intercepts for the most part



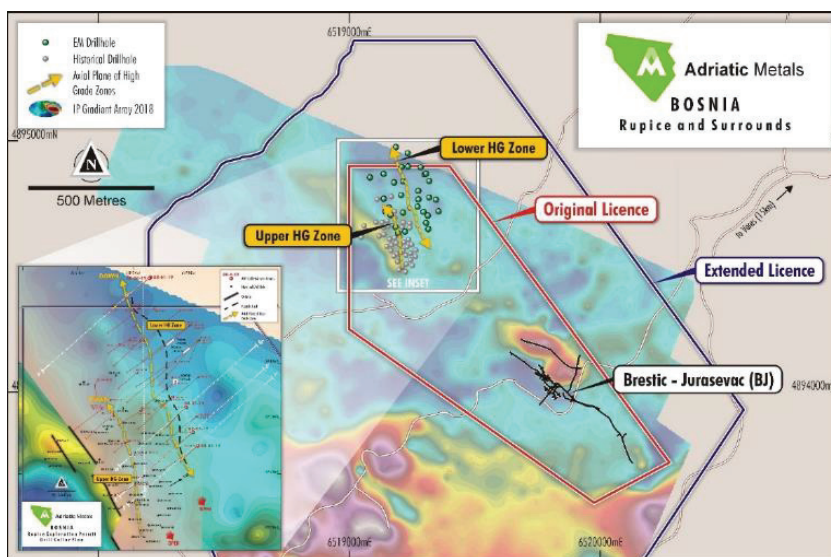
Long section of the mineralised zone at Rupice looking northeast, with recent Adriatic drilling (the grid is MGI 1901/Balkans Zone 6)

Source: Supplied by Adriatic



Plan map showing the location of drillholes (2019) with significant grade intercepts

Source: Adriatic, 2019C



Rupice licence map with location of updated drilling in context of 2018 IP gradient anomalies
Source: Adriatic (2019B)

Additional drilling data returned since MRE preparation in June 2019 have been reviewed alongside drilling results disclosure to the market by Adriatic in press releases in 2020. Drilling by Adriatic in 2020 focussed on testing potential extensions to the MRE at Rupice and this drilling campaign is ongoing.

Sampling, Analysis and Data Verification

The following table sets forth summary information regarding sampling, analysis and data verification for the Vareš Project.

Criteria	Commentary
<i>Sampling techniques</i>	Historical sampling used whole core, whilst recent sampling used half core of either PQ or HQ diameter. Both methods produced a representative sample. The majority of the sampling was at 2 m intervals and produce a sample weighing around 10 kg. All sampling was in fresh material. Today, PQ3 and HQ3 diamond core is cut in half on variable lengths, not exceeding 2 m to provide a sample for assay typically weighing around 4-6kg. Samples were submitted to the ALS facility in Bor, Serbia for industry standard analytical analysis. The half core and weight of the sample provides sufficient representivity. No calibration of any equipment was required as all samples were sent for assay by commercial laboratory. PQ3 and HQ3 diamond core was used to obtain nominally 1m samples from which 4-6kg of material was pulverised to produce sample for fire assay, ICP-MS and X-ray Fluorescence.
<i>Drill sample recovery</i>	All core was logged for geology and rock quality designation with recovery in the mineralized and sampled zone greater than 90%. The PQ3 and HQ3 diameter and sampling of half core ensured the representative nature of the samples. There is no observed relationship between sample recovery and grade, and with little to no loss of material there is considered to be little to no sample bias. A number of diamond twin holes returned similar grades in both tenor and width.

Criteria	Commentary
<i>Logging</i>	Geological core logging to a resolution of 20 cm was undertaken with a record kept of, inter alia, colour, lithology, weathering, grain size, mineralization, alteration, etc. Diamond core is stored at Adriatic's warehouse. The data is believed to be of an appropriate level of detail to support previous mineral resource estimations. All core is photographed and logging is qualitative. All core is logged.
<i>Sub-sampling techniques and sample preparation</i>	Historically whole core was collected for assay. The diamond core was cut in half using a diamond saw. Nominally 1 in 30 samples were cut in quarters, and both halves analysed (for purposes of field duplicates). Collection of around 4-6kg of half core material with subsequent pulverisation of the total charge provided an appropriate and representative sample for analysis. Sample preparation was undertaken at the ALS laboratory in Bor, to industry best practice. Whole rock blanks and certified standards (~1 in 15) were introduced to the sample run to ensure laboratory quality assurance/quality control. Additionally, industry best practice was adopted by ALS for laboratory sub-sampling and the avoidance of any cross contamination. The half core sampling is considered a reasonable representation of the in-situ material. Nominally 1 in 30 samples were cut in quarters, and both halves analysed (for purposes of field duplicates). Sample size of around 4-6kg is considered to be appropriate to reasonably represent the material being tested.
<i>Quality of assay data and laboratory tests</i>	Historical assays were undertaken at leading government institutes and fully reported and certificated at the time of release. Lead and zinc were analysed using a polarography determination. The sample was digested in aqua regia then the solution stabilisation before polarography. Barite was analysed using a gravimetric method. The sample was dissolved in a mixture of aqua regia and sulphuric acid before gravimetric determination in platinum cups. Not routine but on occasion lead and zinc were determined by AAS. The use of polarographic techniques and AAS was considered appropriate, accurate and reliable at that time. Check assays on selected historical pulps returned very similar values to better than 0.9 correlation coefficient. Recent analyses were undertaken at the accredited laboratory of ALS in Bor, Serbia which has full industry certification. Multi elements were assayed by an ICP-AES technique following a four-acid digest. Gold was determined using a fire assay on a nominal 50g charge. Barite was determined from a lithium borate fusion followed by dissolution and ICP-AES analysis. Total sulphur was determined by Leco. All techniques were appropriate for the elements being determined. Samples are considered a partial digestion when using an aqua regia digest. There was no reliance on determination of analysis by geophysical tools. Certified Reference Material (CRM) appropriate for the elements being analysed were added at a rate better than 1 in 15. All results reported by ALS on the CRMs were to better than 2 SD, it is considered that acceptable levels of accuracy have been achieved.
<i>Verification of sampling and assaying</i>	A number of geoscientists both internal and external to Eastern Mining have verified the intersections. Data is stored on the virtual cloud and at various locations and it is regularly backed up by an independent database management company.

Criteria	Commentary
<i>Location of data points</i>	Drill hole collars were surveyed by registered surveyors using either theodolite (historical) and in recent drilling, sampling sites were surveyed using total station to better than 0.05m accuracy in the local Bosnia in Herzegovina coordinate system. The grid system used MGI 1901 / Balkans Zone 6. The topographic surface of the immediate area was generated from a light detection and ranging survey to an accuracy of approximately 0.05m. It is considered sufficiently accurate for Adriatic's current activities.
<i>Data spacing and distribution</i>	Drill hole density across the Vareš Project (including all drilling) is approximately 30 m x 30 m closing in to better than 20 m x 20 m in places. All samples were collected at nominally 1 and 2m intervals down hole, with subdivisions based on geological features.
<i>Orientation of data in relation to geological structure</i>	At the Veovača project, the mineralisation occupies an upright isoclinal synform. Historical drilling was vertical such that the drill hole was often either completely in or out of the mineralisation. Recent drilling drill holes are considered to be reasonably orthogonal to the interpreted dip of the mineralisation, or close to it. At Rupice, the mineralisation is within a moderately north-easterly dipping dolomite which has been both folded and faulted. Historical holes were drilled vertically and mostly intersected the mineralisation at a high angle. Recent drilling was mostly inclined at between 70° and 80° to the southwest, perpendicular to the deposit strike, and intersected the mineralisation reasonably orthogonally. In-fill holes were aligned in different orientations to the majority of the drilling, to test for structural controls. It is not considered that the drilling orientation has introduced a sampling bias, as the drilling is considered to be orthogonal to the stratabound mineralisation, or close to it.
<i>Sample security</i>	Chain of custody of digital data is managed by Adriatic. Physical material was stored on site and, when necessary, delivered to the assay laboratory. Thereafter laboratory samples were controlled by the nominated laboratory. All sample collection was controlled by digital sample control file(s) and hard-copy ticket books.
<i>Audits or reviews</i>	A Site and Laboratory (ALS and SGS, Bor) visit was made by Dr Belinda van Lente, an employee of CSA Global in January 2018. There were no material issues found for the 2017 drill campaign.

Mineral Processing and Metallurgical Testing

Expected payability adjusted recoveries from all concentrates for Rupice are:

Ag	Au	Zn	Pb	Cu	BaSO ₄
92.6%	66.7%	81.7%	90.4%	82.7%	71.7%

Excellent recovery of precious metals and copper at Rupice with further metallurgical optimisation test-work underway. Current test-work confirms that the same process plant can process both Rupice and Veovača ores. The test work programmes were carried out by WAI under the guidance of Adriatic's own metallurgical consultant.

Selection of Samples

Suitable samples, representing the Mineral Resources from both deposits were selected and sent to WAI for separate testing of Rupice samples and Veovača samples. The objective of the testwork programmes was to establish basic processing data, to test processing options and to develop and test a flowsheet that would demonstrate that a marketable concentrate could be developed from each deposit.

Metallurgical bulk samples were collected from across the entirety of the deposits using drill core from the 2017 and 2018 campaigns (BR-1-17 to BR-8-17 and BR-1-18 to BR-24-18) for Rupice, and the 2017 campaign (BV-2017-1 to BV-2017-9) for

Veovača. The material consisted of drill core (half HQ) crushed to -2mm with care taken to collect representative material from the mineralized intervals in continuous lengths of between 6 and 10m with the aim to produce 3 samples for Rupice:

- an average grade bulk sample which approximated the average grade of the Ore Block Model ("OBM") current at the end of 2018 made up of 114 x 2m samples weighing 136kg;
- a high-grade bulk sample (being approximately twice the average OBM grade) made up of 69 x 2m weighing 91kg; and
- a high-grade copper bulk sample made up of 24 x 2m samples weighing 33kg.

And a single sample for Veovača made up of 97 x 2m samples weighing 100kg. The average OBM grades together with the estimated grades of the bulk samples and their "head grade" as determined by WAI are listed in the below table. Chain of custody from Adriatic's core-farm in Vares, Bosnia to the offices of WAI, UK was secure with the consignment sealed for customs purposes at point of preparation and remained sealed through delivery to WAI.

RUPICE	Zn %	Pb %	BaSO ₄ %	Cu %	Ag g/t	Au g/t
OBM (Rupice 2018)	4.7	3.1	33	0.5	176	1.5
Met Sample - Average	4.8	2.9	40	0.5	238	1.8
<i>WAI Head Grade</i>	<i>5.0</i>	<i>3.3</i>	<i>46.4</i>	<i>0.5</i>	<i>268</i>	<i>1.8</i>
Met Sample - High Grade	10.1	5.3	59	0.7	340	3.1
<i>WAI Head Grade</i>	<i>9.8</i>	<i>5.7</i>	<i>62.1</i>	<i>0.6</i>	<i>348</i>	<i>3.2</i>
Met Sample - High Grade Copper	19.8	13.3	24	3.7	256	3.6
<i>WAI Head Grade</i>	<i>19.9</i>	<i>14.7</i>	<i>23.7</i>	<i>3.8</i>	<i>269</i>	<i>3.5</i>
VEOVACA						
OBM (Veovaca 2017)	1.6	0.9	15	N/A	61	0.1
Met Sample - Average	1.7	1.1	16	0.1	55	0.1
<i>WAI Head Grade</i>	<i>1.64</i>	<i>1.23</i>	<i>16</i>	<i>N/A</i>	<i>56</i>	<i>0.1</i>

Rupice Metallurgical Test Work

WAI undertook a comprehensive metallurgical investigation on a representative sample characterising the average grade of the Rupice deposit. The work started in January 2019. The sample assayed (on average) 0.50% Cu, 3.32% Pb and 5.03% Zn and contained appreciable levels of additional, potentially payable elements (1.79ppm Au, 268ppm Ag), as well as a significant quantity of barite (46.4% BaSO₄).

A mineralogical investigation showed that the main ore phases are barite (52.1%), sphalerite (9.0%), galena (5.3%), tetrahedrite (0.7%) and chalcopyrite (0.6%). The main gangue phases are quartz (14.3%), carbonates (8.7%), pyrite (5.4%) and mica (3.0%).

BBWi testing returned a value of 8.54 kWh/t, identifying the sample as relatively soft and amenable to a simple comminution circuit design.

A detailed froth flotation study focussed on the production of a bulk Cu/Pb concentrate, as well as zinc, pyrite and barite products. Variables investigated included primary grind size, reagent type, reagent dosage, pH profile and residence time. A suite of batch rougher and cleaner tests culminated in four locked cycle tests, the results for LCT4 are summarised in the table below.

Cu/Pb + Zn Cons. - LCT4		Copper	Lead	Zinc	Gold	Silver
		%	%	%	ppm	ppm
Head Grades	Grade	0.55	3.43	5.19	2.07	298
Copper/Lead Concentrate	Grade	6.52	44.17	10.69	13.94	3,549
	Recovery %	82.7	90.4	14.5	47.3	83.7
Zinc Concentrate	Grade	0.37	1.25	53.8	5.37	337
	Recovery %	5.3	2.9	81.7	20.4	8.9
Combined Recovery	Recovery %	89.0	93.3	96.2	67.7	92.6
Combined Recovery Adjusted for Expected Payability	Recovery %	82.7	90.4	81.7	67.7	92.6

A detailed analysis of the test products identified the copper/lead concentrate as being very high in gold and silver content (13.9ppm Au and 3,549ppm Ag). The zinc concentrate also contained significant levels of gold and silver (5.37ppm Au and 337ppm Ag). Levels of some deleterious elements may incur minor smelter penalties, but these are generally low and not expected to be material, whilst other deleterious elements, such as Antimony, are concentrating to a sufficient grade that in some smelters would either attract no penalty or be payable.

The barite concentrate collected from LCT2 assayed 94.1% BaSO₄ at a recovery of 71.7% and had an SG of 4.49, well above the American Petroleum Institute ("API") specification of 4.1.

LCT2	Barite
	%
Feed Grade	48.1
Grade	94.1
Recovery	71.7
SG	4.49

The results of other locked cycle tests indicated that recovery to the barite concentrate was fairly consistent at producing a saleable grade and SG.

Additional analyses undertaken on samples of batch cleaner and locked cycle test barite concentrates found that all of the requirements of the API specification for drilling-grade barite were met with a significantly high SG confirming that the barite is of very good quality. Levels of some potential impurities (Hg, Cd, Pb) may require further investigation and alternative metallurgical solutions will be tested if required following discussions with protentional off-takers.

With a view to improving the payability of the copper in the Cu/Pb concentrate it was decided to carry out the first stage of the next level of flowsheet investigation test work and look at a sequential removal of copper first, followed by lead, zinc and barite. This would give an additional concentrate but with greater value coming from the copper as a result. This recent investigation using a sequential flowsheet has yielded promising results as per the table below.

Cu Con. - LCT5		Copper	Lead	Zinc	Gold	Silver
		%	%	%	g/t	g/t
Head Grades	Grade	0.54	3.37	5.27	1.89	247
Copper Concentrate	Grade	22.9	15.81	5.45	14.1	7,235
	Recovery %	63.0	6.9	1.5	11.0	43.1

LCT5 produced a copper concentrate assaying 22.9% Cu, 15.8% Pb and 5.45% Zn at recoveries of 63.0%, 6.9% and 1.5% respectively. The copper concentrate also contained significant levels of precious metals (14.1ppm Au, 7,235ppm Ag). Optimisation work of this flowsheet will be ongoing in the next phase.

To date very little work has been done on the High Grade and the High-Grade Copper samples (each referenced in Table 1) and this will also form a part of the variability and other test work in the future.

Veovača Metallurgical Testwork

WAI was commissioned by Adriatic to undertake a programme of metallurgical testwork on a sample of mineralization from the Veovača deposit. Work commenced in October 2017. The sample contained 1.13% Pb, 1.64% Zn and 16.1% BaSO₄.

A mineralogical study determined that barite is the dominant sample mineral, with minor amounts of sphalerite and galena. The main gangue phases are quartz and muscovite, with minor amounts of dolomite, pyrite, ankerite and chlorite.

A BBWi test gave a work index value of 12.3 kWh/t, classifying the material as having a 'medium' hardness.

A total of 31 rougher tests, 19 cleaner tests and two LCTs were undertaken. It was found that satisfactory lead and zinc recoveries could be achieved into separate concentrates using a sequential flowsheet of lead followed by zinc flotation. In addition, barite flotation of the zinc tailings produced a barite concentrate grading 95.4% BaSO₄ at 71% recovery after two cleaning stages.

A LCT was undertaken to give the final concentrate and metal recoveries and the results are given in the table below.

Pb + Zn Cons. - LCT2		Lead	Zinc	Gold	Silver
		%	%	g/t	g/t
Head Grades		1.08	1.37	0.10	58.7
Lead Concentrate	Grade	51.23	11.71	1.3	1,766
	Recovery %	78.2	14.1	20.8	49.3
Zinc Concentrate	Grade	2.40	57.84	0.5	442
	Recovery %	4.0	76.4	9.1	13.6
Combined Recovery	Recovery %	82.2	90.5	29.9	62.9

A lead concentrate was produced which assayed 51.2% Pb and 11.7% Zn at lead and zinc recoveries of 78.2% and 14.1% respectively, and a zinc concentrate which assayed 57.8% Zn and 2.4% Pb at lead and zinc recoveries of 76.4% and 4% respectively.

Silver recoveries to the lead and zinc concentrate were 49.3% and 13.6% respectively. Gold recoveries to the lead and zinc concentrates were 20.8% and 9.1%.

Both Veovača concentrates contained levels of penalty elements. The reduction/removal of these penalty elements is being investigated metallurgically and work to date demonstrates that this is possible using proven technologies such as alkaline sulphide leaching.

Due to a build-up of circulating loads during cleaning, the barite recovery in this LCT was not as good as earlier open circuit tests which showed the following potential, as indicated in the table below.

Barite - FCT7		Barite
		%
Barite	Feed Grade	16.1
	Grade	95.4
	Recovery	70.9
	SG	4.45

As with Rupice the Veovača barite has a very high SG making it a quality product. Levels of potential impurities may require further investigation and alternative metallurgical solutions will be tested if required following discussions with potential off-takers.

Flowsheet Development

Flowsheets developed for both Rupice and Veovača are similar utilising crushing, grinding and multi-stages of flotation with regrind. Reagent suites will vary slightly as will reagent consumptions. Primary grind would be 80% <40 micrometres for both Rupice and Veovača with regrind at Rupice being 80% <10 micrometres for the Cu/Pb concentrate and 80% <20 micrometres for the Zn concentrate. Veovača regrind would be 80% <20 micrometres for both Pb and Zn concentrates.

Mineral Resource Estimate

The Vareš Technical Report includes mineral resource estimates for each of the Veovača and Rupice deposits with an effective date of June 1, 2019. The resource estimates were completed using resource categories under the JORC Code. See "Technical Information" of this Schedule.

Veovača

Mineral Resource classification	Tonnes (Mt)	Grades					Contained metal				
		Zn (%)	Pb (%)	BaSO ₄ (%)	Au (g/t)	Ag (g/t)	Zn (kt)	Pb (kt)	BaSO ₄ (kt)	Au (koz)	Ag (Moz)
Indicated	5.3	1.6	1.0	16	0.1	50	83	55	860	14	9
Inferred	2.1	1.1	0.5	6	0.1	17	23	11	123	4	1

Notes:

- Mineral Resource classifications shown in the above table are based on JORC Code definitions. The JORC resource categories have been reconciled against the CIM Definition Standards and no material differences are noted.
- The figures presented above are both gross and 100% net attributable to Adriatic.
- The Qualified Person responsible for the MRE is Mr Dmitry Pertel, an employee of CSA Global.
- A cut-off grade of 0.6% ZnEq has been applied.
- ZnEq was calculated using conversion factors of 0.80 for lead, 0.08 for BaSO₄, 1.80 for gold and 0.019 for silver, and recoveries of 90% for all elements. Metal prices used were US\$2,500/t for zinc, US\$2,000/t for lead, US\$200/t for BaSO₄, US\$1,400/oz for gold and US\$15/oz for silver.
- The applied formula was: $ZnEq = Zn\% * 90\% + 0.8 * Pb\% * 90\% + 0.08 * BaSO_4\% * 90\% + 1.8 * Au(g/t) * 90\% + 0.019 * Ag(g/t) * 90\%$.
- Metallurgical recoveries of 90% have been applied in the metal equivalent formula based on recent testwork results.
- It is the opinion of the Qualified Persons that all elements and products included in the metal equivalent formula have a reasonable potential to be recovered and sold.
- A bulk density was calculated for each model cell using regression formula $BD = 2.70855 + BaSO_4 * 0.01487 + Pb * 0.03311 + Zn * 0.03493$.
- Rows and columns may not add up exactly due to rounding.
- Mineral Resources that are not mineral reserves do not have demonstrated economic viability.

Rupice

Mineral Resource classification	Tonnes (Mt)	Grades						Contained metal					
		Zn (%)	Pb (%)	BaSO ₄ (%)	Au (g/t)	Ag (g/t)	Cu (%)	Zn (kt)	Pb (kt)	BaSO ₄ (kt)	Au (koz)	Ag (Moz)	C (kt)
Indicated	7.5	5.7	3.7	34	2.0	207	0.6	430	278	2,590	470	50	46
Inferred	1.9	2.5	1.6	18	0.9	86	0.3	50	30	330	60	5	6

Notes:

- Mineral Resource classifications shown in the above table are based on JORC Code definitions. The JORC resource categories have been reconciled against the CIM Definition Standards and no material differences are noted.
- The figures presented above are both gross and 100% net attributable to Adriatic.
- The Qualified Person responsible for the MRE is Mr Dmitry Pertel, an employee of CSA Global.
- A cut-off grade of 0.6% ZnEq has been applied.
- ZnEq was calculated using conversion factors of 0.80 for lead, 0.08 for BaSO₄, 1.80 for gold, 0.019 for silver and 2.40 for copper, and recoveries of 90% for all elements. Metal prices used were US\$2,500/t for zinc, US\$2,000/t for lead, US\$200/t for BaSO₄, US\$1,400/oz for gold, US\$15/oz for silver and US\$6,000 for copper.
- The applied formula was: $ZnEq = Zn\% * 90\% + 0.8 * Pb\% * 90\% + 0.08 * BaSO_4\% * 90\% + 1.8 * Au(g/t) * 90\% + 0.019 * Ag(g/t) * 90\% + Cu\% * 2.4 * 90\%$.
- It is the opinion of the Qualified Persons that all elements and products included in the metal equivalent formula have a reasonable potential to be recovered and sold.
- Metallurgical recoveries of 90% have been applied in the metal equivalent formula based on recent testwork results.
- A bulk density was calculated for each model cell using regression formula $BD = 2.88143 + BaSO_4 * 0.01555 + Pb * 0.02856 + Zn * 0.02012 + Cu * 0.07874$ for the barite high-grade domain and $BD = 2.76782 + BaSO_4 * 0.01779 + Pb * 0.03705 + Zn * 0.02167 + Cu * 0.07119$ for the barite low-grade domain (the barite domains were interpreted using 30% BaSO₄).
- Rows and columns may not add up exactly due to rounding.
- Mineral Resources that are not mineral reserves do not have demonstrated economic viability.

Preliminary Economic Assessment

The PEA discussed in this section constitutes a conceptual or scoping study level only based on preliminary mining and economic assessments. Conceptual capital and operating costs described in the PEA are considered to have an accuracy of ±40%.

The PEA is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorised as mineral reserves and there is no certainty that the results of the PEA will be realized.

See also "Risk Factors" for important risks relating to the PEA.

The Vareš Technical Report, includes a preliminary economic assessment for the Rupice and Veovača polymetallic deposits. Subject to the qualifications and assumptions therein, the PEA outlined an operation with a plant throughput of 800 ktpa to a hydrometallurgical processing plant to produce lead, zinc and barite concentrates for a life of mine of approximately 14.6 years. The economic evaluation contained in the PEA indicates a conceptual net present value of US\$916.6 million using a discount rate of 8% (other discount rates are also set out for comparison), with an internal rate of return of 107% calculated on an after-tax basis with 100% attributable equity.

Material Assumptions

The following is a summary of material assumptions underlying the PEA.

The PEA contemplates mining based on an open pit operation at Veovača and an underground operation at Rupice utilising conventional drill and blast, load and haul and crusher feed, with mining to be undertaken by experienced mining contractors. Several sites for disposal of waste material have been identified near Veovača, including the existing tailings facility which is undergoing additional geotechnical test work to determine its suitability.

The metallurgical parameters for the processing of the Vareš mineralization into metal concentrate products are derived from comparable polymetallic processing operations and the preliminary metallurgical test work undertaken by WAI. The samples for this test work were selected on the basis of being representative of the mineralized zones.

There is a substantial amount of existing infrastructure at Veovača and Rupice, including a nearby rail siding outside of Vareš, roads, high voltage power and the historical tailings management facility. Some additional roads will need to be constructed for by-passing villages to transport material from Rupice to Veovača, and some roads will require widening and upgrade. Estimates of capital costs included in the PEA include the estimates for the expected infrastructure required.

The capital cost estimate for the PEA were compiled on preliminary plans for civil engineering works, mining and processing equipment and associated infrastructure. The estimate was prepared based upon the author's project database, current in-house data from recent projects, industry standard estimating factors and benchmarking against other projects. Estimates exclude duties and taxes, working capital, financing costs, relocation and resettlement costs, rehabilitation and closure costs. A 30% capital expenditure contingency allowance has been applied to cost estimates. The cost estimates were compiled in United States dollars with a base date of fourth quarter of 2019 in real terms, with no allowance for escalation or inflation.

The operating cost estimate for the PEA includes all costs associated with mining, processing, infrastructure, and site-based general and administration costs. The operating costs were developed based on comparative costs for operations of similar size. Mining costs range from US\$15.60/t for open pit mining at Veovača to US\$40.46/t for underground mining at Rupice. Processing costs are consistent at US\$18.3/t for the life of mine. General and administration costs address overheads, administration and corporate expenses at an approximate cost of US\$4.92 per processed tonne. The selling costs include a treatment charge of US\$230/ zinc concentrate tonne and US\$85/ lead concentrate tonne. No treatment charged has been applied to Barite concentrates. Transport costs of US\$0.15/t/km for an assumed distance of 28 km. The cost estimates were compiled in United States dollars in 2018 real terms, with no allowance for escalation or inflation.

For the purposes of the PEA, revenue from the project is derived from the sale of barite, a zinc, gold & silver concentrate and a lead, silver, gold, antimony and copper concentrate. Adriatic has established the characteristics of expected final products through benchmarking against comparable polymetallic processing operations and the preliminary metallurgical testwork conducted by WAI. Bluequest Resources Ag has conducted a marketing study for the proposed concentrates and all estimated costs associated with shipping, insurance and handling have been incorporated into the Net Smelter Revenue assumptions. This marketing study underpins the payability assumptions for each metal concentrate presented in the PEA. Payability is a standard term in concentrate sales contracts and defines the portion (percentage) of the contained metal for which payment will be made by the refiner to the miner. The authors of the PEA used a combination of recent spot and forward consensus estimates provided by BMO Capital Markets, which is compiled from over 26 forecasts by respected global investments banks.

The combined basis for metal price assumptions is intended to remove the effects of recent volatility in base metal markets and provide a more realistic view of metal prices anticipated at the time of commencement of production. Risks associated with these assumptions include that the payability of metals in concentrate is lower than expected, the metal concentrate product split differs from expectations and that the metal price assumptions are not met.

The project development schedule set forth in the PEA is based on various assumptions regarding significant milestones as set forth therein.

The market for silver and base metal products is well established. The metals that would be produced from the Vareš Project are actively traded in spot metals markets and through forward dated derivative financial instruments. Prices set in financial markets reflect underlying metal demand and supply conditions and market sentiment. These prices are often the reference prices used by Adriatic in negotiating offtake and / or sales agreements with counterparties. From 2018 to 2020, estimated consensus lead, silver, zinc and copper prices are all greater than current spot prices.

The PEA contemplates the development of the Rupice mine via an underground mining operation with the construction of a processing facility and a concentrator and tailings storage facility at Veovača, where the existing open pit mine will be expanded in the latter years of the project life. The Company expects the Vareš Project will create significant social and economic benefits for local communities, including employment opportunities, but acknowledges that some local residents

may be directly or indirectly affected by the mine's development and associated operations. Community programs and social impact studies have been commenced by Adriatic, with a Community liaison office established in the town of Vareš, where staff are available for consultation with the local community.

The following table summarizes metal pricing assumptions used in the PEA.

Metal	Silver (US\$/oz)	Gold (US\$/oz)	Zinc (US\$/t)	Lead (US\$/t)	Copper (US\$/t)	Barite CIF (US\$/t)	Antimony (US\$/t)
Price Assumption	17.2	1,440	2,500	2,000	6,500	155	6,500

Additional material assumptions and estimates are set forth in the following sections herein.

Mining Operations

The PEA contemplated that ore will be supplied to a processing plant situated at Veovača from the higher-grade underground operation at Rupice for approximately 10 years, followed by open-pit mining at Veovača.

The PEA investigated the underground extraction of the Rupice deposit followed by an open pit extraction for the Veovača deposit. A pit optimisation for the Rupice deposit was performed and economic pit shells were generated; however, taking into consideration reasonable mining limits, the surrounding topography, the geometry and orientation of the deposit it became apparent that the product rate of 800 ktpa was not sustainable due to the excessive strip ratio and lack of storage space for the waste rock.

A pit optimisation was performed on the Rupice deposit as part of the decision criteria for selection of an appropriate mining method. The open pit optimisation parameters used were a combination of the Veovača geotechnical slope design parameters, i.e. 48° overall slope angle, and associated contractor open pit mining costs parameters. The metallurgical cost and recovery parameters were maintained from the underground optimisation parameters as detailed in this section.

Project	Depth range (mbs)	Mining methods
Veovača	75-200	Open pit
Rupice	110-300	Longitudinal and transverse open stopes

Over the life of mine considered in the PEA, 83% of the processed Mineral Resource originates from Indicated Mineral Resources and 17% from Inferred Mineral Resources; 87% of the processed Mineral Resource during the payback period would be from Indicated Mineral Resources. The viability of the development scenario envisaged in the PEA therefore is not considered to depend on Inferred Mineral Resources.

The process to estimate the Mineral Resources included in the conceptual underground mine design for the Rupice deposit in this PEA is summarily as follows:

- the Mineable Shape Optimiser (MSO) stope optimisation for the Mineral Resource has been undertaken on the Indicated and Inferred Mineral Resources only. Geological potential material has been excluded;
- the grades and tonnes of the Mineral Resource model have been modified by a mining recovery and mining dilution based on the MSO stope optimisation and modifying factors assumed in the mine planning and scheduling process; and
- the Datamine™ MSO suite of optimisation software was used to perform the stope shape optimisations. Datamine™ MSO is an accepted industry stope optimisation tool. A range of conceptual sensitivities testing cut-off grades were applied to determine the base case mine extraction sequence.

The process to estimate the Mineral Resources included in the pit-shell for the Veovača deposit is set forth under "*Mineral Resource Estimates*" above.

Process and Recovery Operations

The PEA contemplates a proposed process plant that has been designed to treat up to 800,000 tonnes per annum of copper, lead, zinc, silver and gold bearing material from the Rupice deposit with Veovača being processed later. The conceptual flowsheet, which has been developed from the test work outlined in a separate report, represents a conventional copper-lead, zinc and barite differential flotation processing facility. The primary aim in the design of the process for the treatment of the different deposits is to:

- provide a simple, reliable, low cost processing route that is easy to maintain in the relatively remote location;
- incorporate a robust metallurgical flowsheet, ensuring maximum copper, lead, zinc, gold and silver recoveries and flexibility for minor changes in mineralization types;
- develop a single process flowsheet that enables processing of both the open pit material from Veovača and the underground material from Rupice to produce saleable copper-lead and zinc metal concentrates, containing gold and silver credits, and a barite concentrate as by-product;
- ensure that the plant tailings and discharges are environmentally acceptable;
- construct a treatment plant with new equipment and materials to ensure availability and compatibility; and
- incorporate a moderate degree of automation into the design to reduce the possibility of process interruptions during start-up and the ramp-up period.

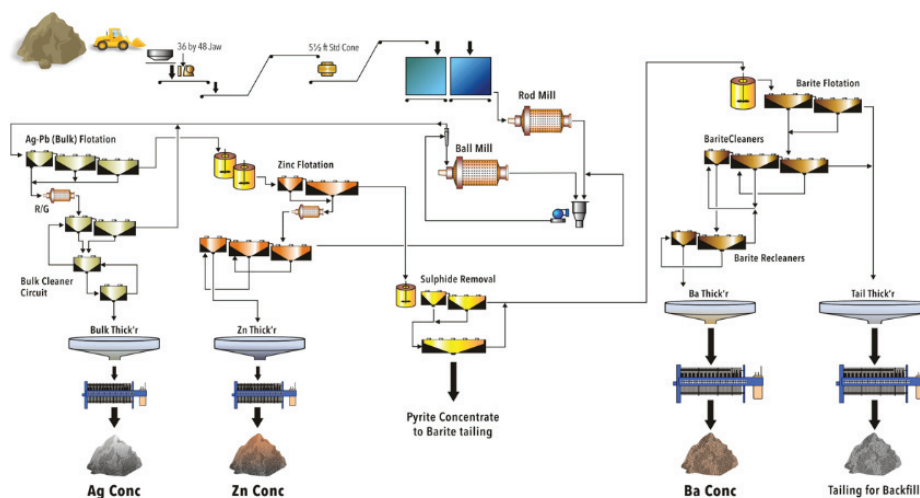
The proposed process flowsheet developed as part of the PEA is expected to generate the following metallurgical outcomes.

Metallurgical		Zn Conc	Pb Conc	Ba Conc
Processing				
Average Conc Grade	%	54.3%	47.4%	92.6%
Total Conc Production	kilotonnes	772	584	2,436
Mass Pull	%	6.5%	4.9%	20.5%
Metallurgical Recovery				
Zn	%	84.7%	13.0%	0.8%
Pb	%	3.3%	88.0%	2.1%
Cu	%	6.2%	80.5%	2.1%
BaSO ₄	%	0.6%	0.5%	70.7%
Au	%	21.6%	37.3%	7.8%
Ag	%	12.1%	74.5%	1.5%
Sb	%	4.3%	89.2%	0.9%
Payability Terms				
Zn	%	84.8%	0.0%	0.0%
Pb	%	0.0%	93.7%	0.0%
Cu	%	0.0%	30.0%	0.0%
BaSO ₄	%	0.0%	0.0%	100.0%
Au	%	64.9%	89.3%	0.0%
Ag	%	62.4%	95.0%	0.0%
Sb	%	0.0%	78.0%	0.0%

Metallurgical		Zn Conc	Pb Conc	Ba Conc
Payable Metal				
Zn	tonnes	355,284	0	0
Pb	tonnes	0	259,582	0
Cu	tonnes	0	11,523	0
BaSO ₄	tonnes	0	0	2,254,235
Au	koz	66	157	0
Ag	koz	4,170	38,962	0
Sb	tonnes	0	14,581	0

The conceptual process plant design was developed to reflect the values obtained from the locked cycle testwork. The Rupice mineralization would require additional process stages to accommodate the additional value metal content (copper), the additional pyrite float stage, and the possibility of a future separation stage of the bulk concentrate into separate copper and lead concentrates. At present, the flowsheet is based upon the sale of a bulk copper-lead concentrate when processing Rupice material, or a lead concentrate, in the future, when processing Veovača. Zinc and barite concentrates would be produced from both deposit feeds for life of mine.

Bosnia and Herzegovina
PROCESS FLOWSHEET FOR THE VEOVACA PROCESS PLANT
 Designed for 222 tonnes per day, 800,000 TPA



Infrastructure, Permitting and Compliance Activities

The Rupice deposit is largely a greenfield site located some 1.5km from the nearest small village of Borovica Gornja and no infrastructure currently exists at the proposed mining operations. The site is currently accessed from the main sealed road. Travelling north from Sarajevo on the R444 and then turning west onto the R444a, north of Vareš, toward the site. From the R444a, a secondary sealed road (bi-directional single lane) accesses the village of Borovica Gornja and ultimately the exploration site via an unsealed exploration track in reasonable repair. There are no waterways or channels within close proximity to the project area and all construction material, equipment and consumables will need to be transported via rail or heavy truck and trailer from Vareš, Sarajevo or Ploče port located on the coast of Croatia.

A town of Vareš is electrified by a stepped down supply from the 220 kV main distribution line located in close proximity to the town. A 132 kV overhead distribution line runs in close proximity to the mine site alongside the main sealed R444a. The construction of approximately 2.5km overhead line will be required to connect to the 132 kV line.

Surface and ground-water estimates have indicated that the project will have a negative water balance and the mining and processing water requirements will require augmentation by either a planned well field or supplied mains water supply. There is currently no mining infrastructure at the Veovača deposit, however, a derelict processing facility is located some 2km south-east of the proposed surface operation. A large administrative building located at the plant site has been successfully repaired and refurbished.

During the future mining of the Veovača deposit, it is proposed that a new dedicated mine haul road will be constructed to the west and east of the valley. The western haul road would be used to haul feed and waste to the processing plant and the waste rock dump areas respectively. The eastern haul road would be used initially for the transport of waste rock for the construction of the southern Tailings Storage Facility (TSF) wall. Following the completion of the southern TSF wall, this road will form the permanent water diversion channel (graded at 1:100 down to the southern TSF wall) that will divert water around the TSF for discharge into the valley downstream of the TSF wall.

The Bosnia and Herzegovina electrical grid forms part of the Continental Europe grid and is currently the largest electrical grid, by connected power, in the world. It is a single phase-locked 50 Hz mains frequency electricity grid that supplies over 400 million customers in 24 countries, including most of the European Union. The transmission system providers operating this grid formed the Union for the Coordination of Transmission of Electricity, now part of the European Network of Transmission System Operators for Electricity.

The production and distribution of electricity within the Vareš region is provided by the Public Enterprise Electric Utility of Bosnia and Herzegovina. Electricity is generated from a mixture of fossil fuels and renewable energy with installed generating capacities from lignite-fired thermal power plants and hydro power plants.

The existing power distribution network infrastructure consists of a north-south 220 kV and 400 kV line in close proximity to the town of Vareš. Additional 132 kV network lines, run north-south in close proximity to the Rupice mine site.

At the Rupice mine, it is estimated that a 2.5km HT tower and suspended conductor extension would be required to access the 132 kV line for distribution of power to the Rupice site. It is proposed that 132 kV will be stepped down to 35 kV and 10 kV for distribution to the transformer yard located at the mine site. The 10 kV feeders would be used for distribution to the underground workings, paste-fill plant, main ventilation fans and the workshops. The voltage would be further stepped down to a suitable voltage for the specified motors. Proposed three phase voltage underground would be 420 volts and single-phase surface 220 to 240 volts. The estimated maximum demand for the underground operation is 6.1 MVA with an expected operating load of 4.7MW. It is proposed that 1 MW emergency generator be installed at the Rupice mine site for the provision of emergency power to main ventilation fans and pumping infrastructure.

At Veovača, the derelict processing facility has historically been connected to the HT electrical network and significant electrical upgrades are not expected. The estimated maximum demand for the processing facility operating at 800 ktpa is 6.7 MVA and the expected operating load of 4.5 MW. The open pit mine services area load is expected to be low and would require a 2.5 km medium tension line extended from the processing plant. Electrical demand at the open pit operation is expected to be less than 0.5 MVA.

The project water management plan is central to maintaining an appropriate environmental and operational performance for the project. The principle adopted for site water management is to intercept and control water flowing within the operational areas to ensure that it stays within a single water shed area located within the mine operations. This contact water, contained within a single watershed, would report to the proposed water storage facility located at the lowest elevation of the watershed.

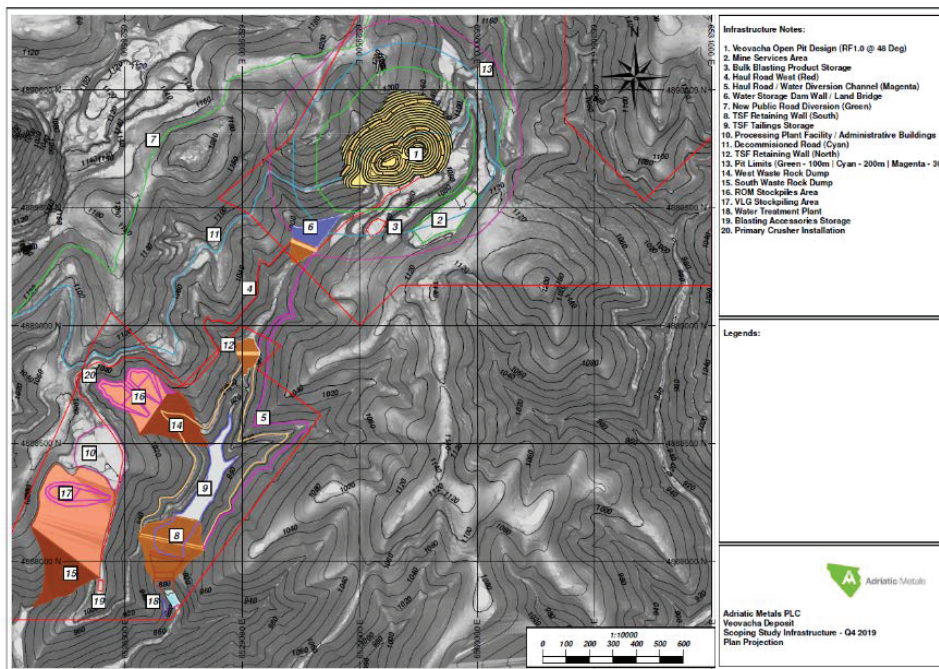
At Veovača, the water would be pumped back to the raw water storage tanks located at the processing facility for use in the process plant and mining operation. The proposed water storage facility will have a capacity of 85,000 m³, approximately 250% of the monthly consumption at a usage of 0.5m³ per tonne processed not considering dead volume.

The average precipitation from Sarajevo data is 78 mm per month with the lowest rainfall of 60 mm in March. An estimated watershed area of 1.5 km² would report to the proposed water storage dam, thus using 60 mm per month should allow a potential collection of approximately 87,000 m³ of rainfall, not allowing for evaporation and groundwater recharge and plant transpiration. Full recharge of the plant consumption would require 40% of precipitation within the watershed to be available at the water storage dam. It is anticipated that the plant make-up water would be approximately 35,000 m³ per month abstracted from the water storage dam contained within the mine boundary. Additional water, when required, would be made up from the adjacent municipal supply. The project water management plan will be developed to ensure minimum impact on the surrounding environment. All surface water within the processing facilities area and mining area would be collected in a channel, if required, or allowed to gravitate to the water storage facility. Excess water will be transferred to the water storage facility to be used within the processing plant. The great majority of uncontaminated surface water would bypass all mine and processing facilities.

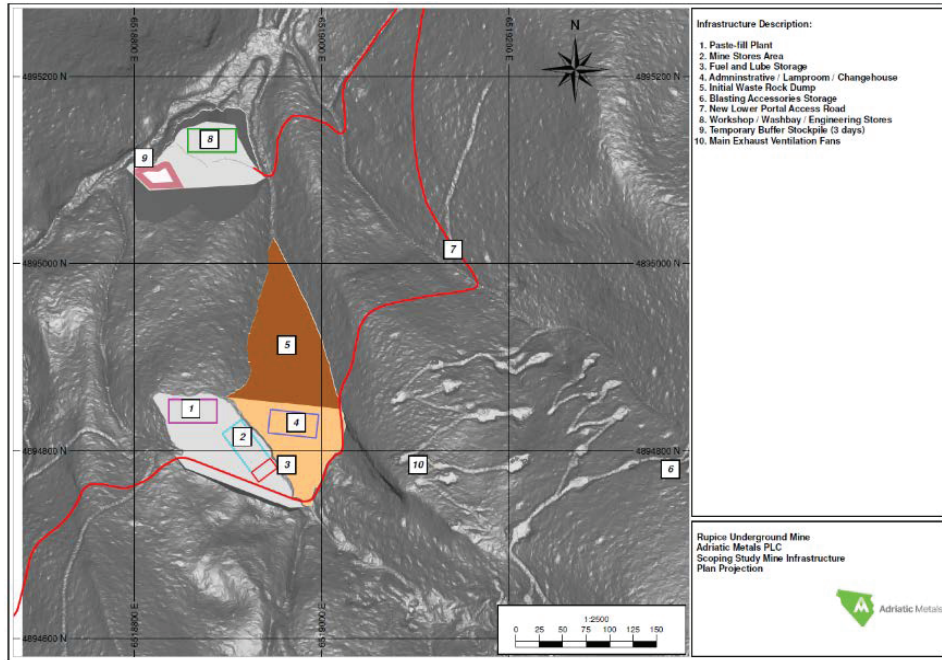
At the Rupice mining operation, the peak make-up water requirements have been estimated to be 0.16 m³ per tonne mined or 13,300 m³ per month. Pumping rates of 22 litres per second would be required for 20 hours per day or equates to 450 m³/day to satisfy the underground make-up water requirements. This requirement would need to be obtained from nearby streams or a well field. Assuming a single borehole can yield 5 to 20 m³/hour, up to 5 bore-holes would be required to augment the groundwater and surface water yields for processing and mining requirements. Dirty water from mining activities would be pumped back to the proposed mine water raw water storage tanks located at the upper terrace area for recycling to the underground workings and the paste-fill plant. An 800 m³ raw water storage tank is anticipated as being constructed at the upper terrace area to supply the paste-fill plant and underground workings with service water. The project water management plan will be developed to ensure minimum impact on the surrounding environment. All surface water within the mine infrastructure area would be collected in a channel, if required, or allowed to gravitate to the water storage facility. The groundwater inflows underground are proposed to be collected in sumps and pumped to be recycled within the mining semi-closed water reticulation circuit. Additional make-up water is available from local streams if required.

Discharge of water from the water storage facility into the environment, outside the watershed area, is not expected as it is estimated that there is a negative water balance.

Proposed Infrastructure at Veovča



Proposed Infrastructure at Rupice



Tailings Disposal

The tailings disposal strategy is proposed to be managed in two phases, namely;

1. Phase 1 - Processing of Rupice feed, dewatering and transporting tailings to the paste-fill plant located at Rupice for the purposes of stope void filling; and
2. Phase 2 – following the depletion of the Rupice, Veovača tailings will be pumped to the existing tailings facility located in the valley immediately east of the processing plant.

During Phase 1 an emergency tailings storage facility is proposed, with four days storage capacity, approximately 6,100 m³, and would be constructed in close proximity to the dewatering circuit to allow for temporary storage should transportation from the processing plant to Rupice not be possible.

Phase 2 tailings deposition is anticipated to require the construction of a small northern TSF wall and a larger southern TSF wall using pre-strip waste rock from the Veovača open pit. The northern wall would require 52,800 m³ of compacted waste rock and be lined and equipped with pumping infrastructure to return water back to the process plant from the tailings pond. The southern wall would require 1,056,300 m³ of compacted waste rock with crest of the dam at 960 mamsl, with 2 m free board, allowing for a total deposition capacity of 4.1 Mt of tailings at 1.16 SG. This equates to 87% of Veovača processed tonnes – allowing for 13% mass pull of the concentrate products.

Telecommunications in Bosnia and Herzegovina comprises of licenced fixed telecommunication operators with a highly competitive mobile sector covering 99% of the population with a 63.29% penetration rate operating on 4G+ network. BH Telecom being the largest with the greatest coverage.

It is proposed that the mine site will be linked to data and voice telecommunications network via a satellite receiving station or cellular network repeater station. Communications on site will link the public network to the various voice, data and telemetry infrastructure systems within the local mine network using fibre optic cable which will support both data and

voice communications. A repeater system will provide the infrastructure to enable hand-held and mobile radio sets to communicate around the site.

Sewage from the various plant and mine site buildings will be dealt with by means of a packaged Tertiary Wastewater Treatment System. Waste such as hydrocarbons from equipment maintenance and chemical waste from the laboratory will be collected and stored for collection. Contractors will remove them from site and dispose of in accordance with the applicable regulations. Office waste and general waste will be collected by a cleaning contractor who will dispose of the waste materials in a solid municipal landfill site.

Transportation

Two main electrified rail lines form the rail network with a standard gauge of 1,435 mm in Bosnia and Herzegovina, namely;

1. a west-east line connecting Bilhac in the west to Doboj in the north, and
2. a south-north line (25 kV / 50Hz) connecting the Croatian port of Ploče to Doboj.

The south-north line traverses Sarajevo with the Podlugovi – Vareš rail branch for 24.5 km terminating at the historical iron ore loading siding in the town of Vareš.

Product concentrate will be loaded into the 20-foot standard intermodal containers, with a net weight 27.8t and internal volume 33.1 m³; they will be hauled via truck to the rail siding in Vareš. An Integrated Tool Handler or forklift truck will unload the haul trucks and load the containers onto the flat rail cars for transport to the Port of Ploče in Croatia, approximately 230 km, for shipment to the off-taker. Empty containers will be returned to the rail siding at Vareš for loading of the next consignment.

The historical rail siding at Vareš would allow for up to four parallel tracks with approximately 275 m over-run and the formation of a four-rake train comprising of 18 x 14.62 m or 1 x 40 feet or 2 x 20 feet intermodal container wagons. This would allow a train consignment capacity of 72 x 62 tonne wagons or approximately 4,500 tonne consignments. At peak concentrate production, a total of 89 consignments would be required for 400 kt of concentrate production per annum, approximately 2 consignments per week. Assuming a stack configuration of 5-4-3, 3 rows is accessible for a 45-tonne reach stacker, a stacking area of approximately 600 m² will be required for 72 x 20-foot containers.

Bosnia and Herzegovina have five international road routes and 20 state highways, with bus connections to many countries. The international routes link the countries of Serbia, Croatia and Montenegro and further afield connects with the extensive road network within the European Union.

The proposed mine haulage route for the purposes of transporting material from the Rupice mine to the processing facility and the subsequent transport of dewatered tailings back to the proposed route of 28.1 km is comprised of three main areas:

1. 6.8 km indicate non-existing routes that require construction and approval and will limit traffic to mine vehicles only;
2. 12.1 km indicate existing public routes of medium impact that may require upgrade and traffic control and state approval for the use of public and mine operated vehicle, and
3. 9.2 km indicated existing public routes of low impact that will require upgrade and traffic control and state approval for the use of public and mine operated vehicles.

All mine vehicles, other than underground vehicles, will comply with state laws and will be legally allowed to travel on public roads.

Diesel storage will be provided to supply fuel to light vehicles, the mining fleet, mobile plant and equipment and the backup generators. All fuel required at the plant site will be delivered in tanker trucks by commercial suppliers. The storage area

will be banded to prevent spillage of fuel contaminating the site area or watercourses. Minor quantities of petrol that may be required can be obtained from local fuel distributors.

A vehicle washdown facility will be provided adjacent to the heavy equipment workshop area at the lower terrace near the portal. It will comprise of a banded concrete slab sloping to a settling sump. Captured rainfall and diesel spillage from the adjacent diesel re-fuelling facility will also be directed to this sump. A sump pump will transfer dirty water to an oil and water separator.

An underground vehicle workshop will be constructed on surface for the maintenance, servicing and overhaul of mechanized mining machinery. The workshop will be equipped with inspection pit, lifting equipment, tools, spares stores, offices, tyre storage and oils, paints and liquid stores. A sump pump will transfer dirty water to an oil and water separator.

The site buildings are classified as either architectural, control rooms or industrial. Architectural buildings include administration offices and ablution facilities. Industrial buildings include workshops, stores and paste-fill plant.

It is planned, as far as possible, that the proposed buildings will be temporary and semi-mobile in nature taking into consideration the life of mine and ease of demobilization once site is required to be rehabilitated.

Capital and Operating Costs

The following table summarizes certain capital and operating cost estimates used in the PEA.

Constraint / Target	Unit	Rupice	Veovača	Combined
Cut Off Grade	% ZnEq	5%	0.6%	
Total Minable Inventory Production	mt	7.2	4.8	11.9
Total Waste Production	mt	1.6	11.6	13.2
Total Mined	Mt	8.7	16.3	25.1
Mill Throughput	Ktpa			800
Payable Metal Production Targets				
Silver	koz			43,132
Gold	koz			223
Zinc	Kt			355
Lead	Kt			260
Copper	Kt			12
Antimony	Kt			15
Barite	Kt			2,254
Staff Employed	Persons	350	138	350 (Peak)
EPCM & Infrastructure	US\$m			61
Mine Capex	US\$m			18
Plant Capex	US\$m			58
Contingency – 30%				41
Total Capex	US\$m			178
Mine Operating Costs (LOM Average)	US\$ / tonne milled	40.46	15.6	30.5
Processing & On Mine Costs	US\$ / tonne milled			20.4
Mined Material Transportation Costs	US\$ / tonne milled			2.8
Sustaining Capital	US\$ / tonne milled			1.4
Environmental Provisions	US\$ / tonne milled			1.5
Total Operating Costs	US\$ / tonne milled			56.7
Post Tax Net Present Value @ 8% Discount	US\$m			916.6
Post Tax Internal Rate of Return	%			107.4%

Constraint / Target	Unit	Rupice	Veovača	Combined
Payback from Project Start	Months			21
Payback from Processing Start	Months			8

Economic Analysis

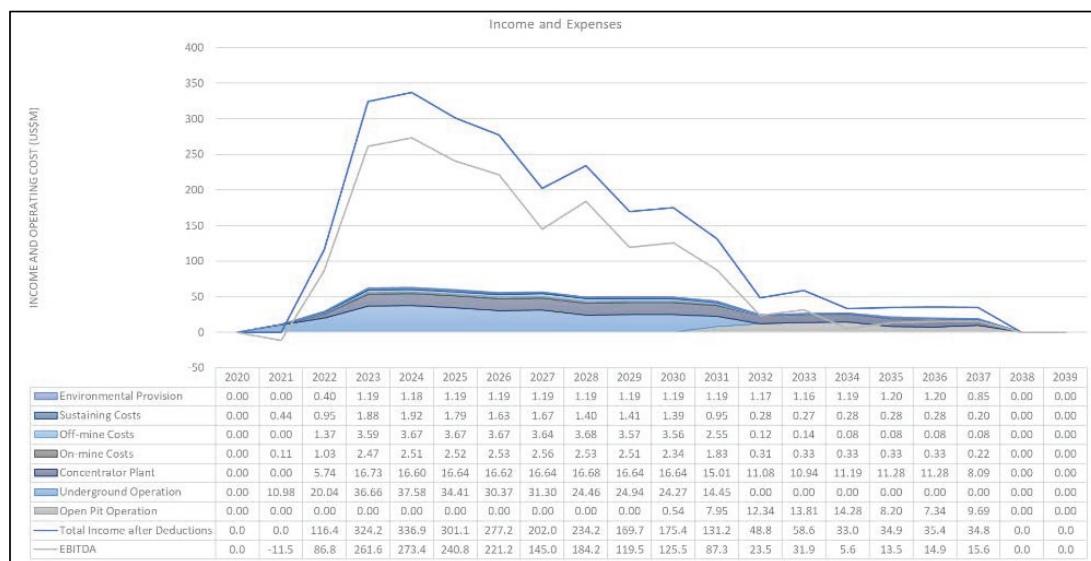
The PEA utilized a standard discounted cash flow (DCF) method for the purposes of valuation of the Veovača and Rupice projects, which model was reported at 100% attributable equity.

The PEA utilized a base-case production schedule that assumed a 800 ktpa plant throughput rate, commencing with the Rupice deposit (2021-2032) continuing with the Veovača open pit operation from 2032 to the end of the life of mine, with a view to extracting the highest grade at Rupice in the early stage of the Rupice underground operation.

See "Material Assumptions" for a summary of relevant metal prices utilized in the PEA analysis and model.

Corporate tax rates in Bosnia and Herzegovina are 10% payable on positive cash flows from operations. A five-year straight-line depreciation method of redeeming capex was used to amortize the capital cash flows for the purposes of the PEA. Cash flows were discounted at 8% to obtain a net present value under the PEA.

The following figure sets for the operating expenditure and income from concentrate product stream for the combined products as set forth in the PEA.



The key conceptual financial metrics for mining operations estimated in the PEA are set forth in the following figure:

Mining metrics	Units	Combined projects	Veovača open pit	Rupice underground
Total feed production	kt	11,908	4,754	7,154
Total waste production	kt	13,189	11,595	1,594
Total mined	kt	25,097	16,349	8,748
Metal mined				
Zn	t	495,004	71,121	423,882
Pb	t	314,766	43,627	271,139
Cu	t	47,709	3,139	44,570
BaSO ₄	t	3,189,564	663,715	2,525,849
Au	koz	472	13	459
Ag	koz	55,051	6,960	48,090
Sb	t	20,954	4,629	16,325
As	t	6,934	1,343	5,591
Hg	t	1,729	768	961
Average head grades				
Zn	%	4.2%	1.5%	5.9%
Pb	%	2.6%	0.9%	3.8%
Cu	%	0.4%	0.1%	0.6%
BaSO ₄	%	26.8%	14.0%	35.3%
Au	g/t	1.23	0.08	2.00
Ag	g/t	143.79	45.54	209.07
Sb	%	0.18%	0.10%	0.23%
As	%	0.06%	0.03%	0.08%
Hg	%	0.01%	0.02%	0.01%
Mine life				
Ramp-up	months	9	8	10
Years at steady state	no. of years	14.6	5.8	8.8
Average production rate	kt/month	66	66	66

The key conceptual financial metrics for processing operations estimated in the PEA are set forth in the following figure.

Metallurgical & Processing	Units	Zn Conc	Pb Conc	Ba Conc
Average Conc Grade	%	54.3%	47.4%	92.6%
Total Conc Production	ktonnes	772	584	2,436
Mass Pull	%	6.5%	4.9%	20.5%
Metallurgical Recovery				
Zn	%	84.7%	13.0%	0.8%
Pb	%	3.3%	88.0%	2.1%
Cu	%	6.2%	80.5%	2.1%
BaSO ₄	%	0.6%	0.5%	70.7%
Au	%	21.6%	37.3%	7.8%
Ag	%	12.1%	74.5%	1.5%
Sb	%	4.3%	89.2%	0.9%
As	%	3.1%	61.2%	4.4%
Hg	%	60.5%	32.5%	0.8%
Payability Terms				
Zn	%	84.8%	0.0%	0.0%
Pb	%	0.0%	93.7%	0.0%

Metallurgical & Processing	Units	Zn Conc	Pb Conc	Ba Conc
Cu	%	0.0%	30.0%	0.0%
BaSO ₄	%	0.0%	0.0%	100.0%
Au	%	64.9%	89.3%	0.0%
Ag	%	62.4%	95.0%	0.0%
Sb	%	0.0%	78.0%	0.0%
As	%	0.0%	0.0%	0.0%
Hg	%	0.0%	0.0%	0.0%
Payable Metal				
Zn	tonnes	355,284	0	0
Pb	tonnes	0	259,582	0
Cu	tonnes	0	11,523	0
BaSO ₄	tonnes	0	0	2,254,235
Au	koz	66	157	0
Ag	koz	4,170	38,962	0
Sb	tonnes	0	14,581	0
As	tonnes	0	0	0
Hg	tonnes	0	0	0

The following is a summary of life of mine operational and capital expenditure metrics utilized in the PEA.

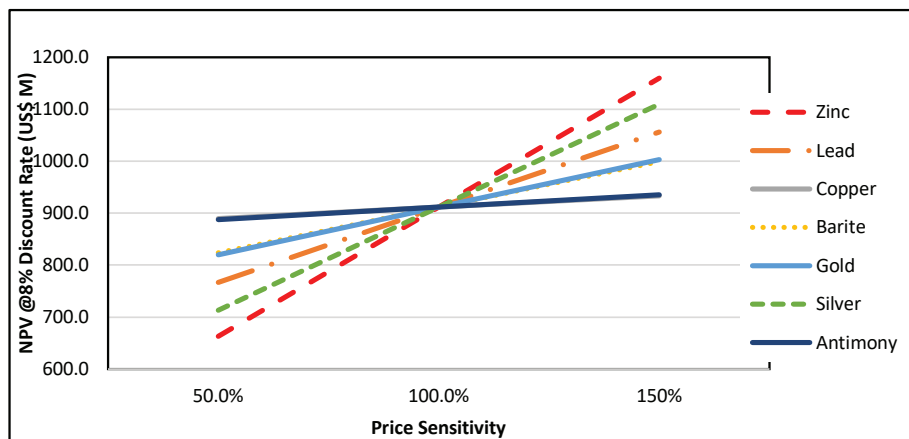
Post-tax results	Units	Combined projects
Operating costs	US\$/tonne_{milled}	56.67
Open pit mining ⁽¹⁾	US\$/tonne _{milled}	15.60
Underground mining ⁽¹⁾	US\$/tonne _{milled}	40.46
Concentrator plant	US\$/tonne _{milled}	18.29
On-mine	US\$/tonne _{milled}	2.10
Off-mine	US\$/tonne _{milled}	2.82
Sustaining capex	US\$/tonne _{milled}	1.43
Environmental provision	US\$/tonne _{milled}	1.50
LOM capital	US\$ M	178.4
Open pit mining	US\$ M	7.6
Underground mining	US\$ M	52.3
Processing plant	US\$ M	58.2
Surface infrastructure	US\$ M	0.0
EPCM fees	US\$ M	16.2
HO fees	US\$ M	3.0
Study costs	US\$ M	0.0
Rehabilitation and closure	US\$ M	0.0
Contingency	US\$ M	41.2

Total operating costs for life of mine are reported from a weighted average calculation of the open pit mining at Veovača and underground mining at Rupice deposits.

The following figures set forth a number of financial sensitivities.

Key driver	Sensitivities	After-tax IRR %	After-tax NPV _{8%} (US\$ M)
Capex	-50%	183.6%	987.8
	Base Case	107.4%	916.6
	+50%	75.6%	845.4
Opex	-50%	124.3%	1088.1
	Base Case	107.4%	916.6
	+50%	91.4%	745.1

Key driver	Sensitivities	After-tax IRR %	After-tax NPV _{8%} (US\$ M)
Metal prices (all elements)	-50%	25.6%	97.8
	Base Case	107.4%	916.6
	+50%	174.6%	1733.3



Commodity price sensitivities are most pronounced for zinc and silver, followed by lead, gold, barite and antimony, as illustrated above.

Exploration and Development

The Mineral Resources estimated at Veovača and Rupice have the potential for expansion and enhanced classification based on additional drilling to increase the level of confidence in the estimates.

The Vareš mineral field occurs within a well-defined 20 km x 10 km corridor of prospective Triassic stratigraphy with numerous mineralized occurrences. The hydrothermal system driving the mineralization may be of a Besshi style VMS origin suggesting that mafic units may occur deeper in the stratigraphy. VMS systems typically occur in clusters as appears to be the case in the Vareš mineral field, supporting the potential for further discoveries of base metal mineralization.

The exploration activity for the Vareš Project can be approached on scales ranging from near mine, in-mine and regional exploration activities along the 20 km strike length of the prospective Triassic stratigraphy. Notably, exploration within the regional prospect area to the three granted areas is limited to non-destructive exploration activities and is not covered by an exploration Concession.

Given the nature of VMS-style deposits and structural complexity, the potential for additional non-outcropping mineralization appears reasonable. It is expected that the use of modern exploration techniques and a systematic approach will improve the potential for discovery.

Recent Exploration

Since April 30, 2020, nine drillholes have been completed across the Rupice, Jurasevac-Brestic and Borovica prospects. Drilling at Rupice continues to test the southern extensions of the orebody and to tighten up spacing for the upcoming MRE. At Jurasevac-Brestic, drilling has been testing a newly defined gravity anomaly from re-processed data earlier this year. Borovica is a new drilling target which has started in the recent weeks to test the prominent Zn-Pb and radiometric geochemical signatures.

The below table summarizes the drilling done to June 16, 2020:

Prospect	Historical	2017	2018	2019	2020
Rupice					
No of Drillholes	49	8	38	49	17
Total Meterage	5,690.8	1,458.1	10,130.9	14,661.1	4,581.0
Veovča					
No of Drillholes	51	16		17	
Total Meterage	8,021.8	1,378.8		2,340.6	
Jurasevac-Brestic					
No of Drillholes	7		6	6	6
Total Meterage	1,334.2		814.7	1,379.7	1,811.7
Orti					
No of Drillholes	37				
Total Meterage	5320.7				
Borovica					
No of Drillholes	10				
Total Meterage	704.0				

(Note: drilling data as at 16/6/20)

Significant intercepts since April 30, 2020, include:

HOLE	FROM	TO	INTERVAL	Au	Ag	Zn	Pb	Cu	BaSO ₄
#	m	m	m	g/t	g/t	%	%	%	%
BJB-02-20	153.1	154.5	1.4	2.8	399.8	6.4	2.5	0.2	0.4
BJB-02-20	174	176.1	2.1	0.1	45.9	2.8	1.4	0.7	0.0
BJB-02-20	179	180	1	0.2	28.8	0.5	3.4	0.2	0.1
BJB-02-20	249	256.2	7.2	0.0	0.3	1.4	0.2	0.0	0.1
BJB-03-20	11.3	15	3.7	0.0	0.5	2.3	0.0	0.0	0.0
BJB-03-20	72.5	74	1.5	1.0	88.5	8.9	5.8	1.2	0.0

DIVIDENDS OR DISTRIBUTIONS

Adriatic has not declared or paid any dividends on the Adriatic Shares since its incorporation. Adriatic has yet to develop its dividend policy and the funding requirements and expected time for the further development, construction and commissioning of the Vareš Project may restrict Adriatic in relation to when it will be in a position to pay dividends. Any decision to recommend, declare and pay dividends will be made at the discretion of the Adriatic Board and will depend on, among other things, Adriatic's results of operations, financial condition and solvency and distributable reserves tests imposed by law and such other factors that the Adriatic Board may consider relevant.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis of Adriatic's financial condition and results of operations for the financial years ended June 30, 2019 and 2018, the period from February 3, 2017 (being the date of incorporation of Adriatic) to June 30, 2017, and the six months ended December 31, 2019 and 2018 should be read in conjunction with the Adriatic Annual Financial Statements and the Adriatic Half-Year Financial Statements, and the related notes thereto, attached to the Circular at Schedule "H". Additional information relating to Adriatic, including press releases, has been filed electronically with the LSE and the ASX and is available online at www.londonstockexchange.com and www.asx.com.au. Unless otherwise indicated, the information contained in this management's discussion and analysis is current as of the date of the Circular.

Unless otherwise indicated, all amounts discussed herein are denominated in Sterling (£). Amounts denominated in a currency other than Sterling are converted into such currency as set out in the Adriatic Financial Statements.

The Adriatic Financial Statements are prepared in accordance with International Accounting Standards Board ("IASB") as adopted by the European Union, and with the Companies Act.

Selected Annual Financial Information

The following tables set out selected annual financial information with respect to Adriatic's operations for each of the years ended June 30, 2019 and 2018 and the period from February 3, 2017, being the date Adriatic was incorporated, until June 30, 2017.

	June 30, 2019 (£)	June 30, 2018 (£)	June 30, 2017 ⁽¹⁾ (£)
Total assets	10,423,821	6,452,643	1,196,973
Total current liabilities	174,932	111,824	201,372
Loss	2,417,653	1,928,697	292,307
Loss per share	(pence)	(pence)	(pence)
Basic	1.69	2.27	0.55
Diluted	1.49	2.10	0.55

Note:

- (1) Results for the year ended June 30, 2017 represent results from Adriatic's date of incorporation, being February 3, 2017.

Results of Operations

Six Months Ended December 31, 2019, Compared to the Six Months Ended December 31, 2018

Adriatic did not generate any revenues during either of the six month periods ended December 31, 2019 and 2018. During the six months ended December 31, 2019, Adriatic incurred losses (after taxes) of £3,822,758, or 2.41 pence per share on a basic and 2.15 pence per share on a diluted basis, compared to £847,850, or 0.63 pence per share on a basic and 0.55 pence per share on a diluted basis, for the same period of 2018.

For the six months ended December 31, 2019, Adriatic recognized administrative expenses of £3,582,837 compared to £717,663 for the six months ended December 31, 2018, which increase primarily resulted from share based payments, relating to the issue of options, and increased consultancy fees in the current period.

In the six months ended December 31, 2019, administrative expenses primarily consisted of wages and salaries of £142,051, share based payments of £1,769,747 related to the issue of options, consultancy fees of £667,869, depreciation of £67,045 and other costs of £936,125. In the comparative period of 2018, administrative expenses primarily consisted of wages and salaries of £144,457, consultancy fees of £298,676 and other costs of £270,694.

In the six months ended December 31, 2019, Adriatic incurred finance costs of £265,222, compared to £139,900 in the same period of 2018. Finance costs in both periods primarily consisted of foreign exchange losses.

Adriatic's principal asset and project during both the six-month periods ended December 31, 2019 and 2018 was the Vareš Project. Exploration and evaluation costs, which are capitalised as intangible assets on the balance sheet in accordance with Adriatic's accounting policies, during the six month periods ended December 31, 2019 were £2,084,909 and in the comparative period of 2018 was £1,272,253. Additionally, patent and licence additions, net of foreign exchange differences, during the six month periods ended December 31, 2019 were £412,640 and in the comparative period of 2018 were negative £15,917.

Year Ended June 30, 2019, Compared to the Year Ended June 30, 2018 and the Period From February 3, 2017 to June 30, 2017

Adriatic did not generate any revenues during either of the years ended June 30, 2019 and 2018. During the year ended June 30, 2019, Adriatic incurred a loss of £2,417,653, or £1.69 per share on a basic basis and £1.49 on a diluted basis, compared to £1,928,697, or £2.27 per share on a basic basis and £2.10 on a diluted basis, for the year ended June 30, 2018 and £292,307, or £0.55 per share on a basic and diluted basis for the period from February 3, 2017 to June 30, 2017. Losses increased in 2018 from the prior period, primarily as a result of increased administrative costs due to heightened activities of Adriatic, including its initial public offering, in its first full fiscal year.

For the year ended June 30, 2019, Adriatic incurred administrative expenses of £2,163,209 compared to £2,170,921 for the year ended June 30, 2018 and £286,461 for the period from February 3, 2017 to June 30, 2017.

In the year ended June 30, 2019, administrative expenses included wages and salaries of £233,896, employee benefit expense of £456,616 related to share options, consultancy fees of £591,651, depreciation of £11,646, amortization of £77,496 and other costs of £791,904. In the year ended June 30, 2018, administrative expenses included wages and salaries of £173,850, employee benefit expense of £1,121,275 related to share options, consultancy fees of £531,954, depreciation of £4,632, amortization of £5,321, other costs of £210,883 and cost related to our initial public offering of £123,006. In the period from February 3, 2017 to June 30, 2017, administrative expenses included wages and salaries of £60,378, consultancy fees of £175,000, depreciation of £424, amortization of £1,970 and other costs of £48,689.

In the year ended June 30, 2019, Adriatic incurred finance costs of £254,444, comprising of a foreign currency loss of £291,949 and interest receivable of £37,505, compared to £242,224, comprised of a foreign currency gain. For the period from February 3, 2017 to June 30, 2017, Adriatic had finance income of £7,365, comprised of positive foreign currency movements.

Adriatic's principal asset and project during the years ended June 30, 2019 and June 30, 2018 and the period from February 3, 2017 to June 30, 2017 was the Vareš Project. Exploration and evaluation cost, net of foreign currency translation differences, capitalized as intangible asset additions during the year ended June 30, 2019 was £2,600,409, in the comparative period of 2018 was £756,923 and £172,337 in the period ended 30 June 2017.

Intangible asset also included Patents and Licenses additions relating to the Vareš Project, net of foreign currency translation differences, during the years ended June 30, 2019 and June 30, 2018 and the period from February 3, 2017 to June 30, 2017 of £414,062, £526 and £111,740 respectively.

Liquidity and Capital Resources

Summary of Financial Position

The following table sets forth selected information regarding Adriatic's financial position for the periods indicated:

	As at December 31, 2019 (£)	As at June 30, 2019 (£)
Cash and cash equivalents	13,893,584	5,369,759
Trade and other receivables	600,340	361,724
Total current assets	14,493,924	5,731,483
Total assets	21,601,064	10,423,821
Trade and other payables	489,494	174,932
Interest-bearing loans and borrowings (current portion)	20,658	-
Total current liabilities	510,152	174,932
Working capital	13,983,772	5,556,551
Interest-bearing loans and borrowings (non-current portion)	241,607	-
Total non-current liabilities	241,607	-
Total equity and liabilities	21,601,064	10,423,821

As at December 31, 2019, cash and cash equivalents were £13,893,584, compared to £5,369,759 at June 30, 2019. Trade and other receivables as at December 31, 2019 were £600,340, compared to £361,724 at June 30, 2019. The increase in trade and other receivables was primarily the result of an increase in sales tax receivables following an increase in activity levels.

Adriatic had trade and other payables of £489,494 as at December 31, 2019, compared to £174,932 as at June 30, 2019. The increase in trade and other payable was primarily the result of an increase in exploration and evaluation expenditure levels and accrued costs associated with Adriatic's listing on the LSE in December 2019.

Adriatic had interest-bearing loans and borrowings (non-current portion) of £241,607 as at December 31, 2019, compared to £nil as at June 30, 2019. The current portion of interest-bearing loans and borrowings was £20,658 as at December 31, 2019, compared to £nil as at June 30, 2019. Both the current and non-current portions of interest-bearing loans and borrowings relate to the recognition of a lease liability during December 2019.

Adriatic had working capital of £13,983,772 at December 30, 2019 compared to working capital of £5,556,551 at June 30, 2019.

Adriatic's objectives when managing capital are:

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

Adriatic 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 Adriatic 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.

Adriatic has no history of revenues from its operating activities and it has financed its activities by raising capital through equity issuances. Management has determined that its existing working capital is sufficient to meet its ongoing liquidity needs in the short-term and in order to meet its obligations over the next 12 months. Adriatic's ability to meet its obligations and finance exploration and development activities over the long-term will depend on its ability to generate cash flow through equity and/or debt financings. Capital markets may not be receptive to offerings of new equity from treasury or debt, whether by way of private placements or public offerings. Adriatic's long-term growth and success is dependent on external sources of financing, which may not be available on acceptable terms or at all.

Summary of Cash Flows

The following table sets forth Adriatic's cash flows from operating, investing and financing activities for each of the periods indicated.

	Six Months Ended December 31, 2019 (£)	Year Ended June 30, 2019 (£)
Cash generated from (used in)		
Operating activities	(1,707,378)	(2,004,548)
Investing activities	(2,498,400)	(3,120,469)
Financing activities	12,914,764	5,850,387
Net increase in cash and cash equivalents	8,708,986	725,370

Operating activities used cash of £1,707,378 in the six months ended December 31, 2019, compared to £950,126 in the six months ended December 31, 2018. The increase in operating cash flows was primarily the result of increased administrative expenses comprised of increases to consultancy fees and other expenses. An increase in trade and other receivables used cash of £242,549 in the six months ended December 31, 2019, compared to £176,790 in the six months ended December 31, 2018. An increase in trade payables and other payables provided cash of £318,494 in the six months ended December 31, 2019, compared to £49,081 in the six months ended December 31, 2018.

Operating activities used cash of £2,004,548 in the year ended June 30, 2019, compared to £976,848 in the year ended June 30, 2018. An increase in trade and other receivables used cash of £214,013 in the year ended June 30, 2019 compared to £130,023 in the year ended June 30, 2018. An increase in trade and other payables provided cash of £63,108 in the year ended June 30, 2019, compared to a decrease in trade and other payables using cash of £89,548 in the year ended June 30, 2018.

Investing activities used cash of £2,498,400 in the six months ended December 31, 2019, compared to £1,698,551 in the six months ended December 31, 2018. Purchases of intangible assets relating to exploration, evaluation and licences used cash of £2,351,157 in the six months ended December 31, 2019, compared to £nil in the same period of 2018. Purchases of property, plant and equipment used cash of £147,243 in the six months ended December 31, 2019, compared to £1,698,551 in the same period of 2018.

Investing activities used cash of £3,120,469 in the year ended June 30, 2019, compared to £796,775 in the year ended June 30, 2018. Purchases of intangible assets relating to exploration, evaluation and licences used cash of £3,014,471 in the year ended June 30, 2019, compared to £756,479 in the year ended June 30, 2018. Purchases of property, plant and equipment used cash of £105,998 in the year ended June 30, 2019, compared to £40,296 in the year ended June 30, 2018.

Financing activities in the six months ended December 31, 2019 generated cash of £12,914,764, compared to £5,765,640 in the six months ended December 31, 2018. Proceeds from the issuance of shares provided cash of £12,918,111 in the six months ended December 31, 2019, compared to £5,765,640 in the same period of 2018. In November 2019, Adriatic completed a placement for aggregate gross proceeds of A\$25 million at an issue price of A\$1.00 per share and, in the six months ended December 31, 2018, it completed a placement for aggregate proceeds of A\$10.8 million at a price of A\$0.55 per share.

Financing activities in the year ended June 30, 2019 generated cash of £5,850,387, compared to £6,106,542 in the year ended June 30, 2018. In each such year, financing activities consisted of the issuance of share capital.

Contractual Obligations

The following table summarizes Adriatic's contractual obligations, including payments due for each of the next five years and thereafter:

Contractual Obligations	Payments Due by Period				
	Total (£)	Less than 1 year (£)	1 – 3 years (£)	3 – 5 years (£)	After 5 years (£)
Debt	Nil	Nil	Nil	Nil	Nil
Finance lease liabilities ⁽¹⁾	262,265	20,658	69,825	66,713	105,069
Purchase obligations	Nil	Nil	Nil	Nil	Nil
Other obligations	Nil	Nil	Nil	Nil	Nil
Total contractual obligations	262,265	20,658	69,825	66,713	105,069

Note:

- (1) Consists of an office lease liability measured at the present value of lease payments to be made over the lease term.

Financing

For a description of the financing activities undertaken by Adriatic for the six months ended December 31, 2019 and the year ended June 30, 2019, please see "Three Year History" and "Prior Sales" in this Schedule.

Commitments

Please see "*Material Contracts*".

Off-Balance Sheet Arrangements

Adriatic does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on Adriatic's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Transactions with Related Parties

Other than transactions in the normal course of business with key management personnel or as otherwise disclosed herein, Adriatic did not enter into any contracts or undertake any commitment or obligation with any related parties in the six months ended December 31, 2019 or the year ended June 30, 2019.

In the six months ended December 31, 2019, Adriatic paid a total of £170,824 to Swellcap, a company controlled by its Chief Executive Officer, which included £113,999 in consultancy fees and £27,369 in corporate office facilities and services. Total amounts incurred to such entity in the year ended June 30, 2019 were £67,000 for corporate office facilities and services.

In the year ended June 30, 2019, Adriatic paid a director total fees of £67,500 in connection with his role of Head of Government Affairs.

Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires the use of judgments and/or estimates that affect the amounts reported and disclosed in the consolidated financial statements and related notes. Critical accounting estimates represent estimates that are uncertain and for which changes in those estimates could materially impact our consolidated financial statements. Areas of judgment and key sources of estimation uncertainty that have the most significant effect are disclosed in Note 4 of the Adriatic Half-Year Financial Statements.

Adoption of New Accounting Standards

IFRS 16 – *Leases* ("**IFRS 16**") is effective for annual periods beginning on or after January 1, 2019 and was applied by Adriatic for the first time in the six month period ended December 31, 2019. The scope of IFRS 16 includes leases of all assets, with certain exceptions. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under International Accounting Standard 17 – *Leases* ("**IAS 17**"). The standard includes two recognition exemptions for lessees – leases of "low-value" assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees are required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting is substantially unchanged from accounting under IAS 17. There were no adjustments to prior periods as a result of the application of IFRS 16.

IFRS 15 – *Revenue from Contracts with Customers* ("**IFRS 15**") issued in May 2014 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and

- Recognize revenue when (or as) the entity satisfies a performance obligation.

The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g. sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

Adriatic adopted IFRS 15 in the year ended June 30, 2019 using the full retrospective method. The effect of initially applying this standard did not have any material impact on Adriatic's financial statements as of June 30, 2019 and June 30, 2018 as a result of the changes in accounting policies as detailed below.

IFRS 9 – *Financial Instruments* ("**IFRS 9**") outlines the recognition, measurement and derecognition of financial assets and financial liabilities, the impairment of financial assets and hedge accounting. Financial assets are to be measured at amortized cost, fair value through profit or loss or fair value through other comprehensive income, with an irrevocable option on initial recognition to recognize some equity financial assets at fair value through other comprehensive income. The impairment model in IFRS 9 moves to one that is based on expected credit losses rather than the IAS 39 incurred loss model. The derecognition principles of IAS 39 - *Financial Instrument: Recognition and Measurement* have been transferred to IFRS 9. The hedge accounting requirements have been liberalised from that allowed previously. The requirements are based on whether an economic hedge is in existence, with less restriction to prove whether a relationship will be effective than current requirements.

Adriatic adopted IFRS 9 retrospectively in the year ended June 30, 2019, with the initial application date of July 1, 2018 and adjusting the comparative information for the period beginning July 1, 2017 for any effects in adoption of IFRS 9. The key changes to Adriatic's accounting policies resulting from the adoption of IFRS 9 (as detailed above) did not result to any restatement of Adriatic's comparative figures as of June 30, 2018 and did not have any material effect on Adriatic's financial statements as of June 30, 2019.

Management believes that the adoption of the above and other amendments effective for the current accounting period has not had any material impact on the recognition, measurement and presentation in the financial statements.

Standards that Are Not Yet Effective and Have Not Been Adopted Early by Adriatic

Management have reviewed all such standards and do not consider that there would be any impact on Adriatic's financial statements as a result of any of these.

Financial Instruments and Other Instruments

Adriatic's financial assets include cash and cash equivalents, and trade and other receivables and Adriatic's financial liabilities include trade and other payables.

The fair value of the financial assets and liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying value amounts largely due to the short-term maturities of these instruments.

Adriatic classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income "**FVTOCI**", or through profit or loss "**FVTPL**"); and
- those to be measured at amortized cost.

The classification depends on Adriatic's business model for managing the financial assets and the contractual terms of the cash flows.

On initial recognition, a financial asset is classified as measured: at amortized cost, FVOCI or FVTPL.

A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured at amortized cost using effective interest method. The amortized cost is reduced by impairment losses if any.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, Adriatic may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

All other financial assets that are not classified as measured at amortized cost or FVOCI are measured at FVTPL.

In addition, on initial recognition, Adriatic may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For trade and contract receivables, Adriatic has applied simplified approach permitted by IFRS 9. Simplified approach is applied to a portfolio of trade receivables that are homogenous in nature and carry similar credit risk. However, simplified approach requires expected lifetime losses to be recognized from initial recognition of the receivables.

Receivables are written off when they are deemed uncollectible because of bankruptcy or other forms of receivership of the debtors. The assessment of expected credit losses on receivables takes into account credit-risk concentration, collective debt risk based on average historical losses, specific circumstances such as serious adverse economic conditions in a specific country or region and other forward-looking information.

Financial Risk Management Objectives and Policies

Adriatic 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.

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 Adriatic is not yet selling any minerals this is not a risk that affects Adriatic in the current year, however, when Adriatic 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. Adriatic's exposure to the risk of changes in foreign exchange rates relates primarily to Adriatic's subsidiary company operating in BAMs while Adriatic's presentation currency is that of Sterling. If the rate of the BAM were to increase this would have a negative impact on the turnover and profit of Adriatic.

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

	Effect on Profit or Loss (£)	Effect on Equity (£)
June 30, 2019		
Increase in foreign exchange rate of 10%		
BAM	33,560	(390,466)
Decrease in foreign exchange rate of 10%		
BAM	(41,017)	477,236

	Effect on Profit or Loss (£)	Effect on Equity (£)
June 30, 2018		
Increase in foreign exchange rate of 10%		
BAM	15,155	(120,351)
Decrease in foreign exchange rate of 10%		
BAM	(18,523)	147,096

The movement in profit or loss is a result of a change in the fair value of assets and liabilities denominated in BAMs 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 Sterling.

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 for the periods indicated.

	June 30, 2019	June 30, 2018
Amount in Euros	€268,230	€1,827,922
Amount in Australian Dollars	A\$9,236,297	A\$4,834,668

A 10% movement in the exchange rates with these currencies would have an impact of 10% of the above on both losses and equity.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a customer contract leading to a financial loss. Adriatic 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. Management do not consider that Adriatic has significant exposure to credit risk.

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. Adriatic does not face significant liquidity risks and uncertainties as they are currently in a net asset position.

Share Capital

As at June 30, 2020, Adriatic had 179,840,987 Adriatic Shares, 19,600,000 Adriatic Options exercisable into 19,600,000 Adriatic Shares and 3,810,000 Adriatic Performance Rights exercisable into 3,810,000 Adriatic Shares issued and outstanding.

In addition, Sandfire Resources has certain anti-dilution rights. Please see "*Material Contracts*" of this Schedule.

DESCRIPTION OF ADRIATIC'S SECURITIES

Adriatic Shares

The share capital of Adriatic is comprised of the Adriatic Shares. The Adriatic Shares are denominated in Sterling with a nominal value of 1.3355 pence each. As at June 30, 2020 there were 179,840,987 Adriatic Shares in issue, all of which have been fully paid up. The term of the securities is perpetual.

The Adriatic Shares are currently listed on the ASX under the symbol "ADT" and on the LSE under the symbol "ADT1". Adriatic will, prior to the Effective Time, seek approval from the LSE to list the Adriatic Shares comprising the Share Consideration on the LSE, and the Adriatic Shares will also be tradeable upon the ASX. The Adriatic Shares will not be listed on a stock exchange in Canada.

Each Adriatic Shareholder has the right to receive notice of and to attend and vote at any meeting of Adriatic Shareholders. Each Adriatic Shareholder entitled to attend and being present in person or by proxy or by corporate representative at the meeting will, upon a show of hands, have one vote and upon a poll each such Adriatic Shareholder present in person or by proxy or by corporate representative will have one vote for each Adriatic Share held by such Adriatic Shareholder.

In the case of joint holders of an Adriatic Share, if two or more persons hold an Adriatic Share jointly, the vote of the senior shareholder, shall be accepted to the exclusion of the other joint holders and for this purpose, seniority is determined by the order in which the names stand in the register of members in respect of the joint holding.

The Adriatic Shareholders are entitled to receive dividends as and when declared by the Adriatic Board in respect of the Adriatic Shares on a *pro rata* basis. For more information, see "*Dividends or Distributions*" of this Schedule.

Statutory pre-emption rights have been disapplied (in respect of future share issues for cash) pursuant to a special resolution passed on November 8, 2019. Pursuant to ordinary and special resolutions of the Adriatic Shareholders passed on November 8, 2019:

- (a) the directors were authorised in accordance with section 551 of the Companies Act (general authority to allot) to exercise all the powers of Adriatic to allot shares in Adriatic or grant rights to subscribe for or convert any securities into shares in Adriatic ("**Relevant Securities**") up to an aggregate nominal amount of £673,830 (representing 50,455,260 new equity securities in Adriatic);
- (b) the directors were empowered in accordance with section 570 of the Companies Act to allot equity securities (as defined in section 560 of the Companies Act) of Adriatic for cash pursuant to the general authorities conferred on them by the resolution referred to at (a) above as if section 561(1) of the Companies Act (statutory pre-emption rights) did not apply to any such allotment, provided that such power is limited to:

- (i) the allotment of equity securities in connection with a rights issue or any other offer to holders of ordinary shares in proportion (as nearly as practicable) to their respective holdings and to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary, but subject to such exclusions or other arrangements as the directors seem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and
- (ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £551,840 (representing 41,320,853 new equity securities of Adriatic);

provided that the authority or power detailed in paragraphs (a) and (b) above, shall expire at the conclusion of the annual general meeting of Adriatic to be held in 2020, or if earlier, 15 months from the date of passing of the resolution save that that Adriatic may, before such expiry, make an offer or agreement which would or might require Relevant Securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if the power or authority conferred had not expired.

On a winding-up, the liquidator may, with the sanction of a special resolution and any other sanction required by law, divide among the members the whole or any part of the assets of Adriatic and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. Any such division may be other than in accordance with the existing rights of the members but if any division is resolved otherwise than in accordance with such rights the members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to section 111 of the *Insolvency Act 1986* (United Kingdom).

Adriatic does not have any other classes of shares in issue or liens over its assets and so the Adriatic Shares are not subordinated in Adriatic's capital structure as at the date hereof, and will not be immediately following completion of the Arrangement.

The Adriatic Shares are freely transferable and there are no restrictions on transfer.

Each Adriatic Shareholder may transfer all or any of its Adriatic Shares which are in certificated form by means of an instrument of transfer in any usual form or in any other form which the directors of Adriatic may approve. The directors of Adriatic may refuse to register a transfer of Adriatic Shares which are certificated if: (a) the shares are not fully paid; (b) the transfer is not lodged at Adriatic's registered office or such other place as the directors of Adriatic have appointed; (c) the transfer is not accompanied by the share certificate or such other evidence as the directors of Adriatic may require to show the transferor's title to the shares; or (d) the transfer is in favour of more than four transferees.

Each Adriatic Shareholder may transfer all or any of its Adriatic Shares which are in uncertificated form through CREST. Adriatic Shareholders wishing to trade their Adriatic Shares on the ASX may transfer their Adriatic Shares in uncertificated form using CHESS Depositary Interests.

The directors of Adriatic may, in circumstances permitted or required by the Companies Act and the ASX Listing Rules, refuse to register the transfer of Adriatic Shares which are in uncertificated form, provided that exercise of such powers does not disturb the market in the Adriatic Shares.

Adriatic Options

As at June 30, 2020, there were 19,600,000 Adriatic Options outstanding, as set out in the following table:

Grant Date	Number of Adriatic Options	Exercise Price	Expiry Date
April 27, 2018	2,000,000 ⁽¹⁾	A\$0.40	July 1, 2021
April 27, 2018	9,000,000 ⁽²⁾	A\$0.20	July 1, 2023
April 27, 2018	1,100,000	A\$0.40	July 1, 2021
April 27, 2018	2,500,000	A\$0.30	July 1, 2021
May 29, 2018	1,000,000	A\$0.40	June 5, 2021
November 29, 2019	1,000,000	A\$1.00	November 28, 2022
November 29, 2019	3,000,000	A\$1.25	November 28, 2022

Note:

- (1) Advisor Options, which were not issued under the Option Plan 2018, the Option Plan 2019 or the ESOP 2019.
- (2) Founder Options, which were not issued under the Option Plan 2018, the Option Plan 2019 or the ESOP 2019.

On July 10, 2020, 500,000 Adriatic Options were exercised.

The Adriatic Options are not listed on the ASX or the LSE or on any other stock exchange or quotation system. Holders of Adriatic Options do not have any right, by virtue of the option, to vote, to participate in dividends or to the proceeds on a winding-up of Adriatic. The Adriatic Options are non-transferrable, except for the Founder Options, which are transferable.

During the financial year ended June 30, 2019, no Adriatic Options were issued, 375,000 Adriatic Options lapsed and 300,000 Adriatic Shares were issued as a result of the exercise of Adriatic Options. Since the end of the financial year ended June 30, 2019, 4,000,000 Adriatic Options have been issued and 3,225,000 Adriatic Shares have been issued as a result of the exercise of Adriatic Options.

For more information, see "*Options to Purchase Securities*" and "*Incentive Plans*" of this Schedule.

Adriatic Performance Rights

As at June 30, 2020, there were 3,810,000 Adriatic Performance Rights outstanding, as set out in the following table:

Grant Date	Number of Adriatic Performance Rights Granted	Vesting Date and Exercisable Date	Expiry Date	Exercise Price
November 11, 2019	750,000	December 31, 2021 if: (a) completion of a JORC compliant definitive feasibility study; and (b) the Volume Weighted Average Market Price per CDI (as quoted on ASX) exceeds A\$1.50 for the five consecutive trading days immediately prior to 31 December 2021.	November 11, 2022	Higher of £1 or nominal value of aggregate Adriatic Shares to be allotted.
November 28, 2019	150,000	November 30, 2020 subject to the following conditions: (a) share price exceeds A\$1.25; (b) issuance of Rupice Exploitation Permit and (c) 5,000m drilling in 2020.	November 28, 2022	Higher of £1 or nominal value of aggregate Adriatic Shares to be allotted.
November 28, 2019	230,000	November 30, 2020 subject to the following conditions: (a) share price exceeds A\$1.25; and (b) issuance of Rupice Exploitation Permit.	November 28, 2022	Higher of £1 or nominal value of aggregate Adriatic Shares to be allotted.

November 28, 2019	150,000	November 30, 2020 subject to the following conditions: (a) share price exceeds A\$1.25 and (b) completion of A\$25M capital raising.	November 28, 2022	Higher of £1 or nominal value of aggregate Adriatic Shares to be allotted.
November 28, 2019	30,000	November 30, 2020 subject to the following conditions: (a) share price exceeds A\$1.25 and (b) 5,000m drilling in 2020.	November 28, 2022	Higher of £1 or nominal value of aggregate Adriatic Shares to be allotted.
February 28, 2020	2,000,000	1,000,000 vest on July 30, 2020 subject to Eastern Mining being granted the Rupice Exploitation Permit by July 30, 2020. 1,000,000 vest on July 30, 2020 subject to Eastern Mining entering into a new concession agreement by July 30, 2020.	July 31, 2020	Higher of £1 or nominal value of aggregate Adriatic Shares to be allotted.
June 12, 2020	500,000	250,000 vest on January 7, 2021, subject to the achievement of certain performance conditions. 250,000 vest on January 7, 2022, subject to the achievement of certain performance conditions.	January 7, 2021 January 7, 2022	Higher of £1 or nominal value of aggregate Adriatic Shares to be allotted.

The Adriatic Performance Rights are not listed on the ASX or the LSE or on any stock exchange or quotation system. Holders of Adriatic Performance Rights do not have any right, by virtue of the performance right, to vote, to participate in dividends or to the proceeds on a winding-up of Adriatic.

Adriatic Performance Rights are granted under the ESOP 2019 or the Option Plan 2019, which were not adopted until November 8, 2019. Therefore, during the financial year ended June 30, 2019, no Adriatic Performance Rights were issued and no Adriatic Shares were issued as a result of the exercise of Adriatic Performance Rights. 750,000 Adriatic Shares have been issued since the end of the financial year ended June 30, 2019 as a result of the exercise of Adriatic Performance Rights.

For more information, see "*Options to Purchase Securities*" and "*Incentive Plans*" of this Schedule.

OPTION TO PURCHASE SECURITIES

The following table sets forth the aggregate number of Adriatic Shares issuable under Adriatic Options and Adriatic Performance Rights as of the date of the Circular:

Holder of Adriatic Options and Adriatic Performance rights	Aggregate Number of Holders of Adriatic Options and Adriatic Performance Rights	Adriatic Shares Under Adriatic Options/ Adriatic Performance Rights Granted	Exercise Price (A\$/Adriatic Share)	Grant Date	Expiry Date
Executive officers and former executive officers of Adriatic as a group	6	750,000 1,100,000 5,000,000 1,000,000 150,000 2,000,000 250,000 250,000 Total: 10,500,000	Nominal/par value A\$0.40 A\$0.20 A\$1.25 Nominal/par value Nominal/par value Nominal/par value Nominal/par value	November 29, 2019 April 27, 2018 April 27, 2018 November 29, 2019 November 29, 2019 February 28, 2020 June 12, 2020 June 12, 2020	November 28, 2022 July 1, 2021 July 1, 2023 November 28, 2022 November 28, 2022 July 31, 2020 January 6, 2024 January 6, 2025
Executive officers and former executive officers of all subsidiaries of Adriatic as a group, excluding those listed above	1	1,000,000	A\$0.40	May 29, 2018	June 5, 2021
Directors and former directors of Adriatic (who are not also officers), as a group	6	4,000,000 2,500,000 1,000,000 2,000,000 Total: 9,500,000	A\$0.20 A\$0.30 A\$1.00 A\$1.25	April 27, 2018 April 27, 2018 November 29, 2019 November 29, 2019	July 1, 2023 July 1, 2021 November 28, 2022 November 28, 2022
Directors and former directors of all subsidiaries of Adriatic as a group, excluding those listed directly above	–	–	–	–	–
Other employees and former employees of Adriatic as a group	–	–	–	–	–
Other employees and former employees of all subsidiaries of Adriatic as a group	7	410,000	Nominal/par value	November 29, 2019	November 28, 2022
Consultants of Adriatic as a group	1	2,000,000	A\$0.40	April 27, 2018	July 1, 2021
Any other person or company:	–	–	–	–	–
Total – All Adriatic Options and Adriatic Performance Rights	21	23,410,000	–	–	–

For more information, see "Description of Adriatic's Securities – Adriatic Options", "Description of Adriatic's Securities – Adriatic Performance Rights" and "Incentive Plans" of this Schedule.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of Adriatic before and immediately after giving effect to the Arrangement. This table should be read in conjunction with the Adriatic Annual Financial Statements and the Adriatic Half-Year Financial Statements (including the notes thereto) contained in the Circular.

	Actual as at December 31, 2019	Immediately after giving effect to the Arrangement
	£'000	£'000
Share capital	26,168	38,208 ⁽¹⁾⁽²⁾
Share-based payment reserve	3,333	3,333
Currency translation reserve	(190)	(190)
Deficit	(8,461)	(8,661)
Total Capitalization	20,850	32,690

Notes:

- (1) Subsequent to December 31, 2019, Adriatic issued 1,275,000 new Adriatic Shares in connection with the exercise of unlisted options, granted under the Option Plan 2018, for gross proceeds of A\$585,000.
- (2) Subsequent to December 31, 2019, Adriatic issued 750,000 new Adriatic Shares in connection with the exercise of unlisted performance rights, granted under the Option Plan 2018, for gross proceeds of £10,016.

PRIOR SALES

The following table sets out the number of Adriatic Shares, and securities that are convertible into Adriatic Shares, issued by Adriatic during the 12-month period preceding the date hereof:

Date of Issuance/Grant	Number of Securities Issued/Granted	Type of Securities Issued/Granted	Issue/Exercise Price	Reason for Issuance/Grant
August 9, 2019	500,000	Adriatic Shares	A\$0.40	Exercise of Adriatic Options
September 25, 2019	83,400	Adriatic Shares	A\$0.933	Exercise of anti-dilution rights ⁽¹⁾
October 25, 2019	1,250,000	Adriatic Shares	A\$0.40	Exercise of Adriatic Options
November 6, 2019	10,878,508	Adriatic Shares	A\$1.00	Institutional placement – tranche 1 ⁽²⁾
November 14, 2019	9,121,492	Adriatic Shares	A\$1.00	Institutional placement – tranche 2 ⁽²⁾
November 21, 2019	5,000,000	Adriatic Shares	A\$1.00	Institutional placement – tranche 3 ⁽²⁾
November 29, 2019	2,060,000	Adriatic Performance Rights	Higher of £1 or nominal value of aggregate Adriatic Shares to be allotted	Grant of Adriatic Performance Rights
November 29, 2019	3,000,000	Adriatic Options	A\$1.25	Grant of Adriatic Options
November 29, 2019	1,000,000	Adriatic Options	A\$1.00	Grant of Adriatic Options
December 2, 2019	100,000	Adriatic Shares	A\$0.40	Exercise of Adriatic Options
December 19, 2019	100,000	Adriatic Shares	A\$0.40	Exercise of Adriatic Options
January 8, 2020	750,000	Adriatic Shares	£0.013355	Exercise of Adriatic Performance Rights
January 31, 2020	600,000	Adriatic Shares	A\$0.40	Exercise of Adriatic Options
January 31, 2020	375,000	Adriatic Shares	A\$0.60	Exercise of Adriatic Options
February 11, 2020	100,000	Adriatic Shares	A\$0.40	Exercise of Adriatic Options
February 28, 2020	4,000,000	Adriatic Performance Rights	Higher of £1 or nominal value of aggregate Adriatic Shares to be allotted	Grant of Adriatic Performance Rights
March 28, 2020	100,000	Adriatic Shares	A\$0.40	Exercise of Adriatic Options
June 3, 2020	100,000	Adriatic Shares	A\$0.40	Exercise of Adriatic Options
June 12, 2020	500,000	Adriatic Performance Rights	Higher of £1 or nominal value of aggregate Adriatic Shares to be allotted	Grant of Adriatic Performance Rights

Notes:

- (1) Sandfire Resources subscribed for its pro-rata interest in the institutional placement described in Note 2 below under the terms of the 2018 Collaboration & Strategic Partnership Deed. For more information about the 2018 Collaboration & Strategic Partnership Deed, see "Material Contracts" of this Schedule.
- (2) Institutional placement of 25,000,000 Adriatic Shares issued in the form of CDIs for aggregate gross proceeds of A\$25,000,000.

TRADING PRICE AND VOLUME

The Adriatic Shares trade on the ASX under the symbol "ADT" and on the LSE under the symbol "ADT1". The greatest volume or quotation for the Adriatic Shares generally occurs on the ASX. The following table sets out the price ranges and volume traded for the Adriatic Shares on the ASX, in Australian dollars, on a monthly basis for the past 12 months:

	High (A\$)	Low (A\$)	Total Volume
June 2019	1.030	0.860	8,888,210
July 2019	1.230	1.010	15,414,450
August 2019	1.150	0.865	8,350,110
September 2019	1.075	0.920	3,395,180
October 2019	1.190	0.990	4,068,770
November 2019	1.430	0.990	19,039,110
December 2019	1.740	1.320	8,735,310
January 2020	1.890	1.610	7,301,880
February 2020	1.800	1.250	7,852,640
March 2020	1.400	0.805	12,483,470
April 2020	1.265	0.925	3,486,860
May 2020	1.28	1.07	10,456,450
June 2020	1.38	1.17	6,744,390

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

At June 30, 2020 there are no securities of Adriatic currently held in escrow or subject to a contractual restriction on transfer.

PRINCIPAL SECURITYHOLDERS

As of the Record Date, and to the knowledge of Adriatic's directors and officers, no person holds 10% or more of the voting rights attached to any class of voting securities of Adriatic except as set out below:

Name	Number of Adriatic Shares	Percentage of Adriatic Shares Owned Prior to the Arrangement ⁽¹⁾	Percentage of Adriatic Shares Owned Immediately Upon Completion of the Arrangement ⁽²⁾
Sandfire Resources ⁽³⁾	28,542,198	15.87% ⁽⁴⁾	14.78% ⁽⁵⁾

Notes:

- (1) Based on there being 179,840,987 Adriatic Shares issued as at the Record Date.
- (2) Based on there being 193,098,886 Adriatic Shares issued immediately upon completion of the Arrangement. These calculations take into account: (a) 179,840,987 issued and outstanding Adriatic Shares as at the Record Date; and (b) 13,257,899 Adriatic Shares issuable as Consideration Shares. The Adriatic Options and Adriatic Performance Rights are not included in this calculation. Assumes no exercise of Dissent Rights.
- (3) Sandfire Resources was granted certain anti-dilution rights pursuant to the 2018 Collaboration & Strategic Partnership Deed. See "Material Contracts" of this Schedule.
- (4) Before completion of the Arrangement and on a fully diluted basis assuming the exercise of all outstanding: (i) Adriatic Options in exchange for 19,600,000 Adriatic Shares; and (ii) Adriatic Performance Rights in exchange for 3,810,000 Adriatic Shares, Sandfire Resources would own approximately 14.04% of the issued and outstanding Adriatic Shares.
- (5) Immediately upon completion of the Arrangement and on a fully diluted basis, assuming: (a) exercise of all outstanding Adriatic Options in exchange for 19,600,000 Adriatic Shares; (b) exercise of all Adriatic Performance Rights for 3,810,000 Adriatic Shares; (c) exercise of all outstanding Tethyan Options in exchange for 471,439 Adriatic Shares; and (d) exercise of all Tethyan Warrants in exchange for 4,149,881 Adriatic Shares, Sandfire Resources would own approximately 12.91% of the issued and outstanding Adriatic Shares.

DIRECTORS AND EXECUTIVE OFFICERS

Name, Address, Occupation and Security Holdings

As of the Record Date, the directors and executive officers of Adriatic, as a group, beneficially owned, or exercised control or direction over, directly or indirectly, an aggregate of: (i) 17,941,332 Adriatic Shares, representing approximately 9.98% of the issued and outstanding Adriatic Shares as of such date; (ii) an aggregate of 12,500,000 Adriatic Options, representing approximately 63.78% of the outstanding Adriatic Options as of such date; and (iii) an aggregate of 1,400,000 Adriatic Performance Rights, representing approximately 36.75% of the outstanding Adriatic Performance Rights as of such date.

The following table sets out Adriatic's directors and officers, together with the city and country of residence, positions and offices held, principal occupations during the last five years, the years in which they were first appointed as directors and/or officers of Adriatic, and the number of securities of Adriatic owned, directly or indirectly, legally or beneficially, or over which control or discretion is exercised by them, as of the date hereof.

Name, Place of Residence and Present Position with Adriatic	Principal Occupations During the Last Five Years	Director or Officer Since	Term Expiring	Number of Common Shares, Options and Performance Rights Held
Peter Bilbe ⁽²⁾⁽³⁾ <i>Non-Executive Chairman</i> Perth, Australia	Mining engineer, with 40 years experience. Non-Executive Chairman and non-executive director of Independence Group Ltd. since 2011 and 2009, respectively. Non-Executive Chairman of Intermin Resources Ltd. since 2016.	February 16, 2018	Available for re-election at each Annual General Meeting	Adriatic Shares: 250,000 ⁽⁵⁾ Adriatic Options: 1,500,000 Adriatic Performance Rights: Nil
Paul Cronin <i>Chief Executive Officer and Managing Director</i> Gloucestershire, United Kingdom	From 2013 to the present, Mr. Cronin has been Managing Director of Swellcap. From 2017 to the present, Mr. Cronin has been Chief Executive Officer of Black Dragon Gold Ltd., and a non-executive director of Global Atomic Corp. From 2019 to the present, Mr. Cronin has been Chief Executive Officer of Adriatic. From 2013 to 2015, Mr. Cronin was Managing Director of Anatolia Energy Limited.	Non-Executive Director from February 3, 2017 to September 17, 2019. Chief Executive Officer and Managing Director since September 18, 2019	Available for re-election at each Annual General Meeting	Adriatic Shares: 17,601,332 ⁽⁶⁾ Adriatic Options: 5,000,000 Adriatic Performance Rights: 750,000
Michael Rawlinson ⁽¹⁾⁽²⁾⁽⁴⁾ <i>Non-Executive Director</i> Gloucestershire, United Kingdom	Senior independent non-executive director of Hochschild Mining Plc since 2016. Non-executive director of Capital Drilling Limited since 2018. Non-executive director of Adriatic since 2019. Global Co-Head of Mining and Metals at Barclays Investment Bank between 2013 and 2017.	March 4, 2019	Available for re-election at each Annual General Meeting	Adriatic Shares: 40,000 Adriatic Options: 1,000,000 Adriatic Performance Rights: Nil

Name, Place of Residence and Present Position with Adriatic	Principal Occupations During the Last Five Years	Director or Officer Since	Term Expiring	Number of Common Shares, Options and Performance Rights Held
Julian Barnes ⁽¹⁾⁽²⁾⁽³⁾ <i>Non-Executive Director</i> Selimbar, Romania	Non-executive director of Thor Explorations Ltd. since 2017. Non-executive director of Adriatic since 2018. Non-executive director of Zinc of Ireland Ltd. since 2018. Managing Director – Technical of Dundee Goodman Merchant Partners since 2018. Project Technical Manager of Cardinal Resources Limited from 2016 to 2017. Managing Partner of Metaform Investments from 2015 to 2018.	February 16, 2018	Available for re-election at each Annual General Meeting	Adriatic Shares: Nil Adriatic Options: 1,000,000 Adriatic Performance Rights: Nil
Sandra Bates ⁽³⁾⁽⁴⁾ <i>Non-Executive Director</i> Kent, United Kingdom	Partner at Fladgate LLP since 2018. Partner at Pillsbury Winthrop Shaw Pittman LLP from 2015 to 2018. Partner at Stikeman Elliott LLP from 2011 to 2015.	November 11, 2019	Available for re-election at each Annual General Meeting	Adriatic Shares: Nil Adriatic Options: 1,000,000 Adriatic Performance Rights: Nil
Graham Hill <i>Chief Operating Officer</i> Gloucestershire, United Kingdom	Chief Operating Officer of Adriatic since 2019. President and Chief Executive of Silver Bear Resources plc from 2014 to 2018.	April 23, 2019	N/A	Adriatic Shares: Nil Adriatic Options: 1,000,000 Adriatic Performance Rights: Nil
Geoff Eyre <i>Chief Financial Officer and Joint Company Secretary</i> Jersey, Channel Islands	Chief Financial Officer of Adriatic since 2020. Managing Director of GPE Consulting Limited since 2014. Chief Financial Officer of Avesoro Holdings Limited since 2014 and Avesoro Resources since 2016. Managing Director of NutureEx BV from 2014 to 2019. Inc.	January 6, 2020	N/A	Adriatic Shares: Nil Adriatic Options: Nil Adriatic Performance Rights: 500,000
Phillip Fox <i>Chief Geologist</i> Belgrade, Serbia	Chief Geologist of Adriatic since 2020. Independent consultant geologist from 2018 to 2019. Project Manager/Project Generation of Toachi Mining Inc. from 2016 to 2018.	January 6, 2020	N/A	Adriatic Shares: Nil Adriatic Options: Nil Adriatic Performance Rights: Nil

Name, Place of Residence and Present Position with Adriatic	Principal Occupations During the Last Five Years	Director or Officer Since	Term Expiring	Number of Common Shares, Options and Performance Rights Held
Gabriel Chiappini <i>Joint Company Secretary</i> Perth, Australia	Company Secretary of Katana Capital Limited since 2005. Non-Executive Director and Company Secretary of Black Rock Mining Limited since 2012. Non-Executive Director and Company Secretary of Eneabba Gas Limited since 2016. Joint Company Secretary of Adriatic since 2018. Chief Financial Officer of Black Dragon Gold Ltd. since 2019. Non-Executive Director and Company Secretary of Scot Gold Resources Limited from 2016 to 2018. Non-Executive Director of Ioneer Limited (formerly Global Geoscience Limited) from 2015 to 2017. Non-Executive Director and Company Secretary of FBR Limited (formerly Fastbrick Robotics Limited) from 2011 to 2018. Company Secretary of Avita Therapeutic Incorporated (formerly Avita Medical Limited) from 2008 to 2018.	November 6, 2018	N/A	Adriatic Shares: 50,000 Adriatic Options: Nil Adriatic Performance Rights: 150,000
Adnan Teletovic <i>Project and Study Manager</i> Sarajevo, Bosnia and Herzegovina	Project and Study Manager of Adriatic since 2018. Managing Director of Athabasca Investments d.o.o. from 2015 to 2018.	May 29, 2018	N/A	Adriatic Shares: Nil Adriatic Options: 1,000,000 Adriatic Performance Rights: Nil
Dominic Roberts <i>Head of Corporate Affairs</i> Dorking, United Kingdom	Operations Director at Mineco Limited since 2013	July 1, 2020	N/A	Adriatic Shares: Nil Adriatic Options: Nil Adriatic Performance Rights: Nil

Notes:

- (1) Member of the Audit and Risk Committee.
- (2) Member of the Remuneration Committee.
- (3) Member of the Nomination Committee.
- (4) Member of the Environmental, Social & Governance Committee.
- (5) Held jointly by Peter Bilbe and Janet Bilbe (spouse of Mr. Bilbe) in superannuation fund, PR&JC Bilbe Super Fund.
- (6) Includes 100 Adriatic Shares held by Rebecca Cronin, spouse of Mr. Cronin.

See "*Corporate Governance*" and "*Audit Committee*" of this Schedule.

On June 12, 2020, Adriatic announced that Milos Bosnjakovic ceased being a director of Adriatic. On July 8, 2020, John Richards resigned as a director of Adriatic.

Biographies

The following biographical information relates to each of the directors and officers of Adriatic and includes a description of each individual's principal occupation within the past five years:

Peter Bilbe – Mr. Bilbe is a mining engineer with 40 years Australian and international mining experience in gold, base metals and iron ore at the operational, Chief Executive Officer and board levels. Mr. Bilbe is currently Non-Executive Chairman of Independence Group NL and since 2009 has overseen its growth from operating a single mine to a diversified gold and base metals mining and exploration company. Mr. Bilbe is also Non-Executive Chairman of Intermin Resources Ltd, an emerging gold developer.

Paul Cronin – Mr. Cronin is a unique resource finance specialist, with significant experience in equity, debt and mergers and acquisitions within the sector. As Chief Executive Officer of ASX Listed Anatolia Energy, Mr. Cronin oversaw two successful and oversubscribed capital raisings, steering the stock to be the best performing uranium stock globally during his time with the company, and prior to its sale at a significant premium to its market capitalization. Prior to Anatolia, Mr. Cronin was Vice President at the highly-regarded resource fund, RMB Resources where he originated, structured and managed several debt and equity investments on behalf of the fund. Mr. Cronin is currently Executive Director of Black Dragon Gold Corp., and Non-Executive Director of Global Atomic Corp.

Michael Rawlinson – Mr. Rawlinson was the Global Co-Head of Mining and Metals at Barclays Investment Bank between 2013 and 2017 having joined from the boutique investment bank, Liberum Capital, a business he helped found in 2007. Mr. Rawlinson is currently a Non-Executive Director of Hochschild Mining Plc and Capital Drilling Limited and previously served as a Non-Executive Director of Talvivaara Mining Company Plc between April 2012 and November 2013.

Julian Barnes – Dr. Barnes is a geologist with extensive experience in major exploration and development projects. Previously, he was Executive Vice President Dundee Precious Metals where he led exploration, project acquisition, and due diligence with a strong focus on Balkan mining and development. He founded and led Resource Service Group for nearly two decades, which ultimately became RSG Global and has since been sold to Coffey Mining. He is also a Non-Executive Director of Thor Explorations Ltd, a company listed on the Toronto Stock Exchange (Venture Exchange) and Zinc Of Ireland NL, a company listed on the ASX.

Sandra Bates – Ms. Bates is an international corporate lawyer with over 20 years' experience advising management teams and boards of both listed and private companies in the UK and internationally. She is a specialist in corporate finance, cross-border M&A and corporate law and brings extensive experience of guiding clients in the natural resources sector through complex negotiations. Originally from Australia, Ms. Bates started her career in London at Freshfields Bruckhaus Deringer LLP in 1999 and subsequently developed her international M&A skills at Skadden, Arps, Slate, Meagher & Flom LLP and Stikeman Elliott (London) LLP where she became a partner in 2011. In 2018, Ms. Bates joined Fladgate LLP as a partner in the corporate finance team where she is a mining and metals sector expert. Sandra is also a member of Women in Mining (UK).

Graham Hill – Mr. Hill is an experienced mining engineer and was previously Chief Executive Officer of Silver Bear Resources Plc where he took the company from exploration through to production, overseeing the development of a remote underground mining operation in Siberia. Mr. Hill has successfully overseen the evaluation and development phases for multiple mining operations in Africa and Central Asia during his 35 year career, which commenced with Anglo American Plc, and where he was later accepted into the company's renowned management development program.

Geoff Eyre – Mr. Eyre is an experienced finance professional with more than 15 years of experience holding senior positions with companies in the mining industry, including producing assets, exploration and development stage companies and private equity investment funds. More recently as Chief Financial Officer of Avesoro Resources Inc., Mr. Eyre was intrinsically involved in the turnaround in performance of the New Liberty gold mine in Liberia, its acquisition of the Youga gold mine in Burkina Faso and the company's subsequent acquisition by its largest shareholder. Mr. Eyre was the Chief Executive Officer of Amlib Holdings Plc, an exploration and development company with assets in Liberia, prior to its acquisition by MNG Gold in 2014 and oversaw the financial aspects of the company's post acquisition mine build. He was also Adriatic Financial Controller of Ferrexpo Plc, the Ukrainian iron ore producer, during its initial public offering on the LSE. Mr. Eyre is a Chartered Accountant, member of the ICAEW and holds a first-class BEng degree in Electrical Engineering from the University of Warwick.

Phillip Fox – Mr. Fox is an experienced exploration geologist with extensive knowledge of the Tethyan mineral belt gained whilst Exploration Manager at Dunav Resources. Most recently, Mr. Fox was Project Manager at Toachi Mining Inc in Ecuador, where the deposit shares many similarities with Rupice.

Gabriel Chiappini – Mr. Chiappini is an experienced ASX director and has been active in the capital markets for 17 years. He has assisted in raising over A\$450 million and has provided investment and divestment guidance to a number of companies, and has been involved with 10 ASX IPOs in the last 12 years. He is a member of the Australian Institute of Company Directors and Chartered Accountants Australia and New Zealand. Mr. Chiappini is a director of Black Rock Mining Limited and Eneabba Gas Limited.

Adnan Teletovic – Dr. Teletovic is a dual Bosnian-Australian national with extensive experience in the mining industry having previously held senior positions at Kalgoorlie Consolidated Gold Mines Pty Ltd, BHP Billiton Plc and the Prevent Group, one of Bosnia's largest diversified industrial corporations. Dr. Teletovic has a Bachelor of Engineering (Hons.) from Victoria University of Technology, a PhD from Deakin University and has significant experience in not only general management but also a track record in managing large capital mining projects in the Australian mining industry.

Dominic Roberts – Mr. Roberts was previously Group Operations Director at Mineco, one of the largest base metal miners in the Balkans, with 5 operating mines, 2 lead smelters, 3 exploration projects and 2,500 people employed across the group. In his role at Mineco he most recently oversaw the permitting and development of the Olovo mine, in the same Canton as Adriatic's Vareš Project, and has strong relationships within the local community and government. Prior to Mineco, Mr Roberts' professional experience in the Balkans included the successful permitting and delivery of a commercial waste re-treatment plant.

Bankruptcies, Cease Trade Orders, Penalties or Sanctions

Except as disclosed below, to the knowledge of Adriatic, as at the Record Date, no director or executive officer of Adriatic, and no shareholder holding a sufficient number of securities of Adriatic to affect materially the control of Adriatic:

- (a) is, as at the date hereof, or has been within the ten years before the date hereof, a director or executive officer of any company (including Adriatic) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

From November 2007 to May 2016, Peter Bilbe was a director of Northern Iron Ltd. ("NFE"), an ASX listed iron ore exploration and production company. NFE's principal activities were production of magnetite iron concentrate at the Sydvaranger Iron Project in Kirkenes, Northern Norway, via its wholly-owned Norwegian subsidiary Sydvaranger Gruve AS ("SVG"). During 2014 and 2015, the iron ore price declined substantially, which had a significant adverse impact on SVG's revenue and working capital position, ultimately leading to the withdrawal of ongoing support from SVG's lenders. On November 18, 2015, the board of SVG filed for bankruptcy under Norwegian law and the bankruptcy administrator placed the Sydvaranger Iron Project into care and maintenance, and subsequently undertook a sale process for the assets of SVG in Norway. To support SVG's finance and trading operations NFE had provided parent company guarantees to certain of SVG's lenders and suppliers. As a result of the impending insolvency of NFE, the directors of NFE placed NFE into voluntary administration on November 19, 2015. The claims of NFE's creditors were at that time approximately A\$111,773,700 owing to unsecured creditors (including approximately A\$111,170,000 contingent liability outstanding guarantee creditors of SVG). On March 24, 2016, NFE entered into a deed of company arrangement ("DOCA") with its creditors in terms of which its obligations to creditors were compromised and transferred to a creditors' trust. Priority and secured creditors of NFE to the value of approximately A\$285,000 were paid in full, however unsecured creditors to the value of approximately A\$160,000 received nil or very little in return. In May 2016, NFE was reinstated to the ASX following the completion of the DOCA and a recapitalization of the company.

Except as disclosed below, to the knowledge of Adriatic, as at the Record Date, no director or executive officer of Adriatic is, as at the date hereof, or was within the ten year period prior to the Record Date, a director, chief executive officer or chief financial officer of any company (including Adriatic) that:

- (a) was subject to: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (an "Order") that was issued while the director or executive officer was acting in the capacity as a director, chief executive officer or chief financial officer; or

- (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

In 2012, NFE was served with an infringement notice by the Australian Securities and Investments Commission ("ASIC"), alleging that it had failed to comply with its continuous disclosure obligations. The company complied with the notice without admission of guilt or liability. No further action was taken by ASIC.

To the knowledge of Adriatic, no director or executive officer of Adriatic, and no shareholder holding a sufficient number of securities of Adriatic to affect materially the control of Adriatic has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation, or by a securities regulatory authority, or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Conflicts of Interest

Certain of the directors and officers of Adriatic will not be devoting all of their time to the affairs of Adriatic. Certain of the directors and officers of Adriatic are directors and officers of other companies, some of which are in the same business as Adriatic. See "Risk Factors" and "Corporate Governance" of this Schedule.

The directors and officers of Adriatic are required by law to act in the best interests of Adriatic. They have the same obligations to the other companies in respect of which they act as directors and officers. Any decision made by any of such officers or directors involving Adriatic will be made in accordance with their duties and obligations under the applicable laws of Australia and the United Kingdom. As of the date hereof, Adriatic was not aware of any existing or potential material conflicts of interest between Adriatic and a subsidiary of Adriatic, a director or officer of Adriatic or of a subsidiary of Adriatic.

EXECUTIVE COMPENSATION

The following discussion describes the significant elements of Adriatic's executive compensation, with particular emphasis on the process for determining compensation payable to Adriatic's "Named Executive Officers" or "NEOs" for the year ended June 30, 2019, which means each of the following individuals:

- (i) the Chief Executive Officer of Adriatic;
- (ii) the Chief Financial Officer of Adriatic;
- (iii) each of Adriatic's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the Chief Executive Officer and Chief Financial Officer, as of June 30, 2019 whose total compensation was more than \$150,000; and
- (iv) each individual who would be an NEO under (iii) but for the fact that the individual was neither an executive officer of Adriatic, nor acting in a similar capacity, at the end of that financial year.

For the purposes of this section, the NEOs of Adriatic for the financial year ended June 30, 2019, are the Chief Executive Officer, Geraint Harris and the Chief Financial Officer Sean Duffy.

Compensation Discussion and Analysis

The Adriatic Board is responsible for determining and reviewing compensation arrangements for the directors and senior executives reporting to the Chief Executive Officer and/or Managing Director. The broad policy is to ensure that remuneration properly reflects the individuals' duties and responsibilities and that remuneration is fair and competitive in

attracting, retaining and motivating quality people with appropriate skills and experience. At the time of determining remuneration, consideration is given by the Adriatic Board to Adriatic's financial circumstances and performance.

The objective of Adriatic's compensation framework is to ensure reward for performance is competitive and appropriate, seeking to provide a strong and clear link between the business strategy of Adriatic and incentive arrangements.

As part of its suite of corporate governance policies and procedures, the Adriatic Board has adopted a formal Remuneration and Nomination Committee Charter and Remuneration Policy. The Remuneration Policy seeks to ensure that remuneration properly reflects the individuals' duties and responsibilities and that remuneration is fair and competitive in attracting, retaining and motivating quality people with appropriate skills and experience. At the time of determining remuneration, consideration is given by the Board to the Group's financial circumstances and performance.

Compensation is determined in accordance with the Remuneration Policy. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as considered appropriate by the Remuneration Committee and Adriatic Board. The level of cash compensation is generally determined on a basis to attract suitably qualified directors and executives. Where appropriate, Adriatic may issue non-cash benefits such as performance-based equity securities as a means of effective director and executive incentives. Remuneration is set at levels to reflect market conditions and encourage continued services of directors and executives.

In 2018, the Adriatic Board established the Remuneration Committee to assist the Adriatic Board in monitoring and reviewing any matters of significance affecting the remuneration of the Adriatic Board and employees of Adriatic.

As of June 30, 2019, the Remuneration Committee was comprised of Peter Bilbe, who acts as Chairman of the Remuneration Committee, Milos Bosnjakovic and Michael Rawlinson. On June 12, 2020, Adriatic announced that Mr. Bosnjakovic ceased acting as a director of Adriatic. Mr. Bilbe and Mr. Rawlinson are independent within the meaning of National Instrument 52-110 – "Audit Committees", while Mr. Bosnjakovic was not independent because he was party to a consultancy agreement with Adriatic pursuant to which Mr. Bosnjakovic acts as Head of Regulatory, and is responsible for, inter alia, managing applications and extensions of exploration licences and mining concessions in Bosnia & Herzegovina, managing the grant of all other licences or permits required by Adriatic or its subsidiaries to operate in Bosnia & Herzegovina and identifying potential new business opportunities in Bosnia & Herzegovina.

For more information about the Remuneration Committee, see "*Corporate Governance – Compensation*" of this Schedule.

The Remuneration Committee, the Nomination Committee and the Adriatic Board have established the following parameters as part of the remuneration framework for executives:

- the directors have responsibility for the appointment and performance assessment of the Chief Executive Officer and Chief Financial Officer, Company Secretary, other senior executives and terms and conditions including remuneration and approving Adriatic's remuneration and rewards framework;
- when considering the remuneration policy for Adriatic's executives and management, the Adriatic Board will consider performance and achievement in line with Adriatic's objectives and to ensure the interests of Adriatic Shareholders and stakeholders are enhanced; and
- the Adriatic Board will perform an annual review to ensure a strong link between performance and reward is made and will form part of the annual remuneration review.

The Remuneration Committee is responsible for, among other things:

- reviewing and approving the design of any executive incentive plans;
- determining each year whether awards will be made under any such plan;
- reviewing and approving total proposed awards under each such plan;

- considering awards to executive directors and direct reports to the Chief Executive Officer/Managing Director, and reviewing and approving proposed awards under each such plan on an individual basis for executives, as required under the rules governing each such plan, or as determined by the Remuneration Committee;
- reviewing, approving, and keeping under review performance hurdles for each such plan; and
- reviewing, managing, and disclosing the policy (if any) under which participants to any such plan may be permitted (at the discretion of Adriatic) to enter into transactions which limit the economic risk of participating in such plan.

Events Subsequent to June 30, 2019

On September 18, 2019, Mr. Geraint Harris resigned from his position as Chief Executive Officer, and Mr. Paul Cronin was appointed Managing Director and Chief Executive Officer of Adriatic.

On January 6, 2020, Adriatic announced that Mr. Geoff Eyre was appointed Chief Financial Officer of Adriatic, replacing Mr. Sean Duffy, who departed Adriatic in March 2020.

Summary Compensation Tables

The following table sets out information concerning the compensation paid by Adriatic to its NEOs for the financial years ended June 30, 2019 and 2018, and the period from incorporation to June 30, 2017:

Name and Principal Position	Year	Salary (£)	Share-Based Awards (£)	Option-Based Awards (£) ⁽³⁾	Non-Equity Incentive Plan Compensation (£)		Pension Value (£)	All Other Compensation (£)	Total Compensation (£)
					Annual Incentive Plans	Long-Term Incentive Plans			
Geraint Harris ⁽¹⁾ <i>Former Chief Executive Officer</i>	2019	172,917	Nil	Nil	Nil	Nil	Nil	Nil	172,917
	2018	76,000	Nil	60,803	Nil	Nil	Nil	45,068 ⁽⁴⁾	181,871
	2017	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sean Duffy ⁽²⁾ <i>Former Chief Financial Officer and Joint Company Secretary</i>	2019	55,002	Nil	Nil	Nil	Nil	Nil	Nil	55,002
	2018	29,725	Nil	34,115	Nil	Nil	Nil	Nil	63,840
	2017	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Mr. Harris ceased to be Adriatic's Chief Executive Officer in September 2019 and was replaced by Paul Cronin. Mr. Harris' services to Adriatic were provided by Orme Mineral Services Limited, a private external management company wholly owned by Mr. Harris.
- (2) Mr. Duffy ceased to be Chief Financial Officer of Adriatic in January 2020 and was replaced by Geoff Eyre at such time. Mr. Duffy's services to Adriatic were provided by Gumtree Management Services Limited, a private external management company wholly-owned by Mr. Duffy.
- (3) Options based awards were valued using the Black Scholes valuation method for calculating the award amount.
- (4) 400,000 Adriatic Shares were issued following Adriatic's successful seed capital raising utilizing an exchange rate of A\$:Sterling of 1.7751.

Geraint Harris was engaged as Adriatic's Chief Executive Officer pursuant to an agreement dated October 1, 2017. Upon presentation of an invoice, Mr. Harris received a fee of £8,500 per month, plus VAT. Upon completion of an offer of 50,000,000 CDIs at an issue price of A\$0.20 each, the fee increased to £12,000 per month, plus VAT. Under the agreement,

Mr. Harris was issued 400,000 Adriatic Shares following Adriatic's successful seed capital raising. Fees owing to Mr. Harris under this agreement were settled through the issue of 400,000 CDIs upon Adriatic's listing on the ASX. In the event of a takeover or merger, Mr. Harris was entitled to a transaction bonus of £150,000 in addition to any termination payments. Adriatic could terminate this agreement without cause by providing three months' written notice to Mr. Harris or by making a termination payment in lieu of notice. Mr. Harris could terminate this agreement by providing Adriatic with three months' written notice. Mr. Harris ceased acting as Adriatic's Chief Executive Officer in September 2019.

On November 27, 2017, Adriatic entered into a consultancy services agreement with Gumtree Management Services Limited ("**Gumtree**") and Sean Duffy, pursuant to which Mr. Duffy agreed to act as Chief Financial Officer and Company Secretary of Adriatic. In consideration for the services, Gumtree receives £4,167 per month, subject to annual review by Adriatic. Either Adriatic or Gumtree could terminate the agreement on two months' written notice (or in the case of Adriatic giving notice to terminate, the option to pay compensation to Gumtree in lieu of notice). The engagement could be terminated without notice if either Gumtree or Mr. Duffy were guilty of serious misconduct such as being convicted of certain criminal offences, serious or persistent breach of the agreement and wilful neglect in the discharge of its/his duties. Mr. Duffy ceased to be Adriatic's Chief Financial Officer and Secretary in January 2020.

On September 12, 2019, Adriatic entered into a consultancy agreement with Swellcap and Paul Cronin. Swellcap has agreed to provide the services of Mr. Cronin as Managing Director and Chief Executive Officer to Adriatic under the agreement. Swellcap, through Mr. Cronin will (amongst other things) oversee all operations for Adriatic's projects, manage the completion of technical studies on Adriatic's projects, develop subordinate staff and oversee the eventual constructions of Adriatic's projects. Swellcap and/or Mr. Cronin are not required to provide these services on an exclusive basis, however they will not provide services if the provision of which may constitute a conflict of interest or interfere with Swellcap's obligation to provide services to Adriatic. Swellcap is not required to provide the services for a period of up to 30 days per year. In consideration for these services, Adriatic will pay Swellcap a fee of £170,000 per annum, which is to be calculated on a daily basis and paid monthly. Subject to Swellcap achieving certain KPIs, Adriatic will pay Swellcap a bonus. The Adriatic Board has discretion to determine whether the KPIs have been achieved and if so, what proportion of the bonus amount is payable. The KPIs (and accompanying bonus amounts) include admission of the Adriatic Shares on the Official List of the FCA (bonus amount £30,000), the issue of an exploration permit for each of Veovača (bonus amount £35,000) and Rupice (£35,000). Any bonus ceases to be payable if the services are no longer being provided and/or are under notice of termination as at the last day of the period to which the bonus relates. In accordance with the consultancy agreement, Mr. Cronin was issued 1,500,000 Adriatic Performance Rights (being a right to be issued shares granted under the Option Plan 2019). By December 31, 2019, 750,000 Adriatic Performance Rights will vest if: (a) a scoping study for the Vareš Project has completed; and (b) the Volume Weighted Average Market Price per CDI (as quoted on ASX) exceeds A\$1.25 for the 5 consecutive trading days immediately prior to December 31, 2019. By December 31, 2021, 750,000 Adriatic Performance Rights will vest if: (a) completion of a JORC compliant definitive feasibility study; and (b) the Volume Weighted Average Market Price per CDI (as quoted on ASX) exceeds A\$1.50 for the 5 consecutive trading days immediately prior to December 31, 2021. The agreement is deemed to have commenced on July 1, 2019. Adriatic or Swellcap may terminate the agreement on six months' written notice. Adriatic is entitled to pay Swellcap in lieu of all or any part of the notice period. Adriatic or Swellcap may terminate without notice if the other party commits a serious breach of the agreement or otherwise engages in conduct that would justify a decision to terminate without notice. Adriatic may also terminate with immediate effect if (amongst other items) Swellcap is unable to comply with any necessary regulatory or licensing requirements, if Swellcap and/or Mr. Cronin's are subject to insolvency/bankruptcy circumstances or if Swellcap fails to perform the services for a continuous period of more two weeks without written consent of Adriatic.

On April 1, 2017, Eastern Mining entered into a management agreement with Paul Cronin (the "**Director Management Agreement**") in respect of his role as director of Eastern Mining. Under the terms of the Director Management Agreement, Eastern Mining pays Mr. Cronin a monthly fee of 1,700 BAM net. Either party can terminate the Director Management Agreement by giving 14 days' notice.

On September 16, 2019, Adriatic entered into a consultancy agreement with Graham Hill in respect of his role as Chief Operating Officer of Adriatic. The agreement provides that Mr. Hill will also be employed by Eastern Mining as Chief Operating Officer (subject to Mr. Hill obtaining the requisite work visa). Mr. Hill will (amongst other items) oversee operations for Adriatic's projects, manage the completion of technical studies and develop subordinate staff. Mr. Hill is not required to provide these services on an exclusive basis, Mr. Hill will not provide services to another party which may constitute a conflict of interest or interfere with his obligation to provide services to Adriatic. Mr. Hill is not required to

provide the services for up to 30 days per year. Payment will be made in lieu of any of the 30 days at the end of each year if they are not accumulated. Adriatic will pay Mr. Hill's relocation costs of £20,000 in connection with his relocation to Bosnia & Herzegovina. In consideration for the services, Adriatic will pay Mr. Hill fees at a rate of £172,000 per annum, calculated for the period of time that Mr. Hill provides the services and paid monthly. Mr. Hill is also paid an accommodation fee of £18,000 per annum in equal monthly instalments. Subject to Mr. Hill achieving certain KPIs, Adriatic will pay him a bonus. The KPIs and bonus amount will be determined by the Adriatic Board. In accordance with the agreement Adriatic has granted Mr. Hill 1,000,000 Adriatic Options under the Option Plan 2019. The Adriatic Options will have an exercise price of A\$1.25 per Adriatic Option and will expire within 3 years from the date of issue. The Adriatic Options will vest in two tranches being 50% on completion of a scoping study and 50% on issuance of an exploitation permit for Rupice and Veovača. In the event that there is a change of control of Adriatic, Mr. Hill be entitled to a payment of £100,000. Adriatic or Mr. Hill may terminate the agreement on six months' written notice. Adriatic may pay Mr. Hill in lieu of all or any part of the notice period. Adriatic or Mr. Hill may terminate without notice if the other party commits a serious breach of the agreement or otherwise engages in conduct that would justify a decision to terminate without notice. Adriatic may also terminate with immediate effect if, inter alia, Mr. Hill is unable to comply with any necessary regulatory or licensing requirements, if Mr. Hill is subject to bankruptcy circumstances or if Mr. Hill fails to perform the services for a continuous period of more than two weeks without written consent of Adriatic.

On December 28, 2019, Adriatic entered into a consultancy agreement with GPE Consulting Limited ("**GPE Consulting**"), which agreement was amended by a letter of amendment dated June 12, 2020 (collectively, the "**GPE Agreement**"). Pursuant to the GPE Agreement, GPE Consulting has agreed to provide the services of Mr. Geoff Eyre as Chief Financial Officer and Company Secretary to Adriatic. In consideration for the services, GPE Consulting receives £150,000 per annum, paid monthly. Subject to GPE Consulting achieving certain KPIs, Adriatic will pay GPE Consulting a bonus. The Adriatic Board has discretion to determine whether the KPIs have been achieved and if so, what proportion of the bonus amount is payable. Either Adriatic or GPE Consulting may terminate the GPE Agreement with six months' written notice (or in the case of Adriatic giving notice to terminate, the option to pay compensation to GPE Consulting in lieu of notice). In accordance with the GPE Agreement, GPE Consulting was issued 500,000 Adriatic Performance Rights (being a right to be issued shares granted under the Option Plan 2019). By January 6, 2021, 250,000 Adriatic Performance Rights will vest if certain performance conditions are met, including GPE Consulting supporting the completion of the Arrangement (provided that the Arrangement closes as planned), and that the volume weighted average market price per CDI exceeds A\$1.50 for any 5 consecutive trading day period prior to January 6, 2021. By January 6, 2022, 250,000 Adriatic Performance Rights will vest if certain performance conditions are met, including that the volume weighted average market price per CDI exceeds A\$1.75 for any 5 consecutive trading day period prior to January 6, 2021. The GPE Agreement may be terminated without notice if the other party commits a serious breach of any of the terms of the GPE Agreement or otherwise engages in conduct that would justify a decision to terminate the GPE Agreement without notice. Adriatic may also terminate the GPE Agreement with immediate effect if (amongst other items) GPE Consulting is unable to comply with any necessary regulatory or licensing requirements, if GPE Consulting is subject to insolvency/bankruptcy circumstances or if Mr. Eyre fails to perform the services for a continuous period of more two weeks without GPE being able to provide a valid reason, or medical certificate that justifies Mr. Eyre's absence.

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

The following table sets out information concerning the incentive plan awards that have been granted by Adriatic to its NEOs and that were outstanding as at June 30, 2019:

Name	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price ⁽¹⁾ (£)	Option Expiry Date	Value of Unexercised In-the Money Options (£)	Number of Shares or Units of Shares that Have Not Vested (#)	Market or Payout Value of Share-Based Awards that Have Not Vested (£)	Market or Payout Value of Vested Share-Based Awards Not Paid Out or Distributed (£)
Geraint Harris	1,250,000	0.23 ⁽¹⁾	July 1, 2021	407,871	N/A	N/A	N/A
	375,000	0.34 ⁽²⁾	July 1, 2021	80,883			
	Total: 1,625,000			Total: 488,754			
Sean Duffy	700,000	0.23 ⁽³⁾	July 1, 2021	228,408	N/A	N/A	N/A

Notes:

- (1) Exercise price is A\$0.40, utilizing an exchange rate of A\$:Sterling of 1.80817, rounded up to the nearest whole pence.
- (2) Exercise price is A\$0.60, utilizing an exchange rate of A\$:Sterling of 1.80817, rounded up to the nearest whole pence.
- (3) Exercise price is A\$0.40, utilizing an exchange rate of A\$:Sterling of 1.80817, rounded up to the nearest whole pence.

Incentive Plan Awards –Value Vested or Earned During the Year

The table below discloses the value vested or earned during the year for: (i) option-based awards; (ii) share-based awards; and (iii) non-equity incentive plan compensation:

Name	Option-Based Awards – Value Vested During the Year (£)	Share-Based Awards – Value Vested During the Year (£)	Non-Equity Incentive Plan Compensation – Value Earned During the Year (£)
Geraint Harris	371,804	N/A	N/A
Sean Duffy	254,015	N/A	N/A

Pension Plan Benefits

Adriatic does not have any defined benefit pension plans, defined contribution pension plans or deferred compensation plans.

DIRECTOR COMPENSATION

General

Adriatic's director compensation program is designed to attract and retain qualified individuals to serve on the Adriatic Board. As of June 30, 2019, Peter Bilbe, Paul Cronin, Michael Rawlinson, Milos Bosnjakovic, Julian Barnes and Eric de Mori were Non-Executive Directors of Adriatic. Subsequent to June 30, 2019, Paul Cronin was appointed Chief Executive Officer and Managing Director of Adriatic, Milos Bosnjakovic ceased acting as a director of Adriatic, Eric de Mori resigned from the

Adriatic Board, and Sandra Bates and John Richards were appointed to the Adriatic Board. John Richards resigned as a director of Adriatic on July 8, 2020.

Director Compensation Table

The following table discloses all compensation that was paid to non-NEO directors of Adriatic for Adriatic's financial year ended June 30, 2019:

Name	Fees Earned ⁽¹⁾ (£)	Share-Based Awards	Option-Based Awards ⁽⁵⁾	Non-Equity Incentive Plan Compensation	Pension Value (£)	All Other Compensation (£)	Total (£)
Peter Bilbe	49,850 ⁽²⁾	Nil	Nil	Nil	Nil	Nil	49,850
Paul Cronin ⁽³⁾	30,000	Nil	Nil	Nil	Nil	72,000 ⁽²⁾	102,500
Michael Rawlinson ⁽⁴⁾	9,762	Nil	Nil	Nil	Nil	Nil	19,762
Julian Barnes	30,225 ⁽⁵⁾	Nil	Nil	Nil	Nil	Nil	30,225
Eric de Mori ⁽⁶⁾	29,854 ⁽⁷⁾	Nil	Nil	Nil	Nil	Nil	29,854
Milos Bosnjakovic ⁽⁸⁾	10,000	Nil	Nil	Nil	Nil	67,500 ⁽⁹⁾	77,500

Notes:

- (1) The annual fee payable to the Adriatic Chairman is £50,000; the annual fee payable to each of the other directors is £30,000.
- (2) Fees paid in Australian dollars.
- (3) Mr. Cronin became Chief Executive Officer of Adriatic subsequent to Adriatic's financial year ended June 30, 2019, in September 2019. Adriatic has engaged Swellcap, a company controlled by Mr. Cronin, to provide Adriatic with corporate office facilities and services from April 1, 2018 at £5,000 per month. This fee increased to £6,000 per month from May 1, 2019, and the totals fees to June 30, 2019 were £72,000.
- (4) Mr. Rawlinson was appointed to the Adriatic Board on March 4, 2019.
- (5) Fees paid in Euros.
- (6) Mr. de Mori resigned as a director in October 2019.
- (7) Fees paid in Australian dollars.
- (8) Mr. Bosnjakovic was appointed to the Adriatic Board on July 16, 2018 and ceased acting in such capacity in June 2020.
- (9) Fees paid pursuant to a consultancy agreement between Adriatic and Mr. Bosnjakovic for Mr. Bosnjakovic's role as Head of Government Affairs.

Adriatic's Articles provide that each director is entitled to such remuneration from Adriatic as the directors decide, but the total amount provided to all non-executive directors must not exceed in aggregate the amount fixed by the directors prior to the first annual general meeting. The aggregate remuneration for all non-executive directors has been set at an amount of A\$400,000 per annum by the directors. The remuneration of the non-executive directors must not be increased except pursuant to a resolution passed at a general meeting of Adriatic where notice of the proposed increase has been given to Adriatic Shareholders in the notice convening the meeting.

Share-Based and Option-Based Awards and Non-Equity Incentive Plan Compensation

Outstanding Share-Based Awards and Option-Based Awards

The following table sets out information concerning the incentive plan awards that have been granted by Adriatic to its non-executive directors and that were outstanding as at June 30, 2019:

Name	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (£)	Option Expiry Date	Value of Unexercised In-the Money Options (£)	Number of Shares or Units of Shares that Have Not Vested (#)	Market or Payout Value of Share-Based Awards that Have Not Vested (£)	Market or Payout Value of Vested Share-Based Awards Not Paid Out or Distributed (£)
Peter Bilbe	1,500,000	0.17 ⁽¹⁾	July 1, 2021	572,402	N/A	N/A	N/A
Paul Cronin	5,000,000	0.12 ⁽²⁾	July 1, 2023	2,184,529	N/A	N/A	N/A
Michael Rawlinson	Nil	N/A	N/A	N/A	N/A	N/A	N/A
Julian Barnes	1,000,000	0.17 ⁽³⁾	July 1, 2021	381,601	N/A	N/A	N/A
Eric de Mori	4,000,000	0.12 ⁽⁴⁾	July 1, 2023	1,747,623	N/A	N/A	N/A
Milos Bosnjakovic	1,000,000	0.23 ⁽⁵⁾	July 1, 2021	326,297	N/A	N/A	N/A

Notes:

- (1) Exercise price is A\$0.30, utilizing an exchange rate of A\$:Sterling of 1.80817, rounded up to the nearest whole pence.
- (2) Exercise price is A\$0.20, utilizing an exchange rate of A\$:Sterling of 1.80817, rounded up to the nearest whole pence.
- (3) Exercise price is A\$0.30, utilizing an exchange rate of A\$:Sterling of 1.80817, rounded up to the nearest whole pence.
- (4) Exercise price is A\$0.20, utilizing an exchange rate of A\$:Sterling of 1.80817, rounded up to the nearest whole pence.
- (5) Exercise price is A\$0.40, utilizing an exchange rate of A\$:Sterling of 1.80817, rounded up to the nearest whole pence.

Incentive Plan Awards –Value Vested or Earned During the Year

The table below discloses the value vested or earned during the year for: (i) option-based awards; (ii) share-based awards; and (iii) non-equity incentive plan compensation:

Name	Option-Based Awards – Value Vested During the Year (£)	Share-Based Awards – Value Vested During the Year (£)	Non-Equity Incentive Plan Compensation – Value Earned During the Year (£)
Peter Bilbe	462,963	N/A	N/A
Paul Cronin	1,816,344	N/A	N/A
Michael Rawlinson	Nil	N/A	N/A
Milos Bosnjakovic	254,015	N/A	N/A
Julian Barnes	308,642	N/A	N/A
Eric de Mori	1,453,075	N/A	N/A

INCENTIVE PLANS

Adriatic's remuneration policy seeks to provide a strong and clear link between business strategy and incentive arrangements. Adriatic has in place three share option schemes, namely the Option Plan 2018, the Option Plan 2019 and the ESOP 2019. New Adriatic Options will be granted under the Option Plan 2019 and the ESOP 2019.

ESOP 2019 and Option Plan 2019

On November 8, 2019, Adriatic adopted the ESOP 2019 and the Option Plan 2019 (each, a "**Plan**"). The terms of each Plan are summarized below. The only differences between them is that the ESOP 2019 is specifically for employees of Adriatic and its subsidiaries only, whilst the Option Plan 2019 is for the benefit of employees, contractors and consultants of Adriatic and its subsidiaries. The Plans are governed by the laws of England and Wales.

The Adriatic Board has discretion to approve issues of Adriatic Options and Adriatic Performance Rights pursuant to each Plan.

The eligible participants under the ESOP 2019 are directors and employees of any member of the Adriatic group. The eligible participants under the Option Plan 2019 are directors, employees, other consultants or contractors of any member of the Adriatic group. Any other person who is declared by the Adriatic Board in its sole and absolute discretion to be eligible to receive grants of Adriatic Options or Adriatic Performance Rights under the Plan shall also be an eligible participant.

In accordance with the ASX Listing Rules, prior Adriatic Shareholder approval will be required before any Director or related party of Adriatic can participate in the Plan and be granted Adriatic Options or Adriatic Performance Rights.

A grant of Adriatic Options or Adriatic Performance Rights may only be made under the Plan if the number of Adriatic Shares that may be acquired on exercise of the Adriatic Options or Adriatic Performance Rights when aggregated with the number of Adriatic Shares issuable if each outstanding Adriatic Option and Adriatic Performance Right was exercised and the number of Adriatic Shares issued pursuant to the Plan or any other employee incentive scheme of the Adriatic group during the previous three years does not exceed 10% of the total number of Adriatic Shares in issue at the time of the proposed grant.

The maximum allocation and allocated pool may be increased by Adriatic Board resolution, provided such an increase complies with the ASX Listing Rules. The Plan does not set out a maximum number of Adriatic Shares that may be made issuable to any one person or company.

A grant of Adriatic Options or Adriatic Performance Rights under a Plan must be set out in a letter or grant certificate delivered to an eligible participant, specifying (as determined by the Adriatic Board) among other things: the number of Adriatic Options or Adriatic Performance Rights, the conditions of grant, the grant date, any fee payable by any participant on the grant of Adriatic Options, Adriatic Performance Rights or Adriatic Shares issued pursuant to the exercise of an Adriatic Option or conversion of an Adriatic Performance Right (each, an "**Employee Incentive**") (if any), any performance criteria (if any), the vesting conditions (if any), the exercise price (if any), the exercise period (if applicable), the performance period (if applicable), and the expiry date and term (if applicable). Adriatic Options and Adriatic Performance Rights will be issued for nil consideration.

The Adriatic Board may in its sole and absolute discretion use an employee share trust or other mechanism for the purpose of holding Adriatic Shares for participants under the Plans and delivering Adriatic Shares to participants upon exercise of the Adriatic Options or the vesting of an Adriatic Performance Right.

Under the Plan, a participant may elect to pay the exercise price for each Adriatic Option by setting off the total exercise price against the number of Adriatic Shares which they are entitled to receive upon exercise ("**Cashless Exercise Facility**"). By using the Cashless Exercise Facility, the holder will receive Adriatic Shares to the value of the surplus after the exercise price has been set off.

Subject to the Adriatic Board's discretion, Adriatic Options and Adriatic Performance Rights shall automatically be cancelled for no consideration where: (a) the participant ceases to hold employment or office with Adriatic or a member of the Adriatic group (except where the participant is a good leaver); (b) the participant is determined to have engaged in fraudulent or dishonest conduct (as described below); (c) the applicable performance criteria and/or vesting conditions are not achieved by the relevant time; (d) the expiry date of the Adriatic Options or Adriatic Performance Rights has passed; (e) the Adriatic Board determines that the participant has brought Adriatic or any member of the Adriatic group into disrepute or acted contrary to the interest of Adriatic or its subsidiaries; (f) the participant has elected to surrender the Adriatic Performance

Rights or Adriatic Options; and (g) the letter of grant provides for the cancellation of the Adriatic Performance Rights or Adriatic Options in any other circumstances.

A good leaver is a participant who ceases employment or office with Adriatic or a member of the Adriatic group and is determined by the Adriatic Board to be a good leaver. Where a participant who holds Employee Incentives becomes a good leaver: (a) all vested Adriatic Options which have not been exercised will continue in force and remain exercisable for 90 days after the date the participant becomes a good leaver, unless the Adriatic Board determines otherwise in its sole and absolute discretion, after which the Employee Incentives will lapse; and (b) the Adriatic Board may in its discretion permit unvested Employee Incentives held by the good leaver to vest, or to continue to be held by the applicable holder or amend the vesting criteria applicable to the Employee Incentives (including performance criteria and/or vesting conditions) or determine that the unvested Employee Incentives lapse.

Where a participant who holds Employee Incentives becomes a bad leaver, unless the Adriatic Board determines otherwise (in its sole and absolute discretion), all vested and unvested Employee Incentives will lapse. Where a participant who holds Employee Incentives becomes a bad leaver the Adriatic Board may determine to exercise the right to buy back any Adriatic Shares issued upon exercise of an Adriatic Option or conversion of Adriatic Performance Rights.

A bad leaver is a participant who, unless the Adriatic Board determines otherwise, ceases employment or office with Adriatic or a member of the Adriatic group (which includes for any of the circumstances which amount to fraudulent or dishonest conduct (described below)).

Where, in the opinion of the Adriatic Board, a participant or former participant (which may include a good leaver) has engaged in fraudulent or dishonest conduct the Adriatic Board may deem all Employee Incentives held by the participant or former participant to be automatically forfeited. Fraudulent or dishonest conduct means a participant or former participant: (a) acts fraudulently or dishonestly; (b) willfully breaches his or her duties to Adriatic or any member of the Adriatic group; (c) brings the group or its business or reputation into disrepute; (d) commits any material breach of the provisions of any employment contract entered into by the participant with any member of the Adriatic group; (e) commits any material breach of any of the policies of the Adriatic group or procedures or any laws, rules or regulations applicable to Adriatic or its subsidiaries; (f) is subject to allegations, has been accused of, charged with or convicted of any criminal offence which involves fraud or dishonesty or any other criminal offence which the Adriatic Board determines (in its absolute discretion) is of a serious nature; (g) has committed any wrongful or negligent act or omission which has caused any member of the Adriatic group substantial liability; (h) has become disqualified or banned from managing corporations or has committed any act that may result in the participant being banned from managing a corporation; (i) has committed serious or gross misconduct, willful disobedience or any other conduct justifying termination of employment without notice; (j) has willfully or negligently failed to perform their duties under any employment contract entered into by the participant with any member of the Adriatic group; (k) has engaged in a transaction which involves a conflict of interest to their employment with Adriatic resulting in the participant obtaining a personal benefit; (l) accepts a position to work with a competitor of Adriatic or its subsidiaries; (m) acts in such a manner that could be seen as being inconsistent with the culture and values of Adriatic or its subsidiaries; or (n) any other act that the Adriatic Board determines in its absolute discretion to constitute fraudulent or dishonest by the participant.

All granted Adriatic Performance Rights which have not yet vested or lapsed shall automatically and immediately vest (regardless of whether any performance criteria or vesting conditions have been satisfied) and a participant may exercise any or all of their Adriatic Options (regardless of whether the vesting conditions have been satisfied but provided that no Adriatic Option will be capable of exercise later than the expiry date) if any of the following change of control events occur (or has been announced and, in the opinion of the Adriatic Board, will or is likely to occur): (a) the acquisition by a person or group of persons acting in concert (as defined in the Takeover Code) of interests in securities (as defined in the Takeover Code) carrying more than 50% of the voting rights of Adriatic; (b) the acquisition or proposed acquisition by a person or group of persons acting in concert of interests in securities (as defined in the Takeover Code and whether held directly or indirectly) carrying 30% or more of the voting rights of Adriatic followed by a general offer to the Adriatic Shareholders (whether pursuant to Rule 9 of the Takeover Code or otherwise), and which is recommended by the Adriatic Board, and becomes or is declared unconditional; (c) a person (either acting alone or with a group of persons acting in concert) has appointed or removed a majority of the Adriatic Board or has the right or ability to appoint or remove a majority of the Adriatic Board; (d) the consummation of a reorganization, takeover, merger, consolidation, scheme of arrangement, statutory share exchange or similar transaction or series of related transactions after which either: (i) the Adriatic

Shareholders immediately prior to the transaction cease to own more than 50% of the combined voting rights of the surviving or resulting entity after the transaction; or ii2) the members of the Adriatic Board immediately prior to the transaction do not constitute a majority of the Adriatic Board of the surviving or resulting entity after the transaction; and (e) the announcement by Adriatic that a sale or transfer (in one transaction or a series of related transactions) of the whole or substantially the whole of the undertaking and business of Adriatic has been completed.

If the Adriatic Board has procured an offer for all holders of Adriatic Options on like terms (having regard to the nature and value of the Adriatic Options) to the terms proposed under the change in control event and the Adriatic Board has specified (in its absolute discretion) a period during which the holders of Adriatic Options may elect to accept the offer and, if the holder has not so elected at the end of that offer period, the Adriatic Options, if not exercised within 10 days of the end of that offer period, shall expire.

The Adriatic Board may request Adriatic's share registry to impose a holding lock on any Employee Incentives issued pursuant to the Plan where the Adriatic Board determines or reasonably believes (in its absolute discretion) that a participant (or a former participant) has or may breach the Plan rules.

The Adriatic Board may at any time amend the Plan rules or the terms and conditions upon which any Employee Incentives have been issued under the Plan, provided that no amendment to the Plan rules or to Employee Incentives granted under the Plan may be made if the amendment, in the opinion of the Adriatic Board, materially reduces the rights of any participant in respect of Employee Incentives granted to them prior to the date of the amendment, other than: (a) an amendment introduced primarily: (i) for the purposes of complying with or conforming to present or future legislation governing or regulating the Plan or like plans; (ii) to correct any manifest error or mistake; (iii) to allow the implementation of a trust arrangement in relation to the holding of Adriatic Shares granted under the Plan; (iv) for the purpose of complying with applicable laws; and/or (v) to take into consideration possible adverse taxation implications in respect of the Plan including changes to applicable taxation legislation or the interpretation of that legislation by a court of competent jurisdiction or any rulings from taxation authorities administering such legislation; or (b) an amendment agreed to in writing by the participant(s). The Adriatic Board may determine that any amendment to the Plan rules or the terms of Employee Incentives granted under the Plan be given retrospective effect.

Subject to the Adriatic Board considering and endeavouring to ensure that there is fair and equitable treatment of all participants, the Adriatic Board may at any time terminate or amend the Plan or suspend the operation of the Plan for such period or periods as it thinks fit.

Option Plan 2018

Adriatic adopted the Option Plan 2018 on February 12, 2018, particulars of which are summarized below. The Adriatic Board has resolved that no new Adriatic Options shall be granted under this plan and that future grants of Adriatic Options shall be made under the Option Plan 2019 and the ESOP 2019. A total of 4,600,000 Adriatic Options remain outstanding under the Option Plan 2018, as identified in the table of outstanding options under "*Description of Adriatic Securities – Adriatic Options*".

The Adriatic Board in its sole discretion may grant Adriatic Options under the Option Plan 2018 to any eligible persons, being, employees, directors or consultants of any member of the Adriatic group.

The Adriatic Board may grant options under the Option Plan 2018 to eligible persons by executing an option certificate, specifying, among other things, the terms of the Adriatic Options granted, the grant date, and total number of Adriatic Options granted, the exercise price, the vesting date and lapse date and any other matters the Adriatic Board determines necessary, including any performance conditions the exercise conditions and disposal restrictions attaching the Adriatic Options. The vesting date may not be earlier than the first anniversary of the grant date or later than the fifth anniversary of the grant date.

Performance conditions may, at the discretion of the Adriatic Board, be specified to apply to all or part of an Adriatic Option and shall be an objective measure of the performance of: (a) Adriatic; (b) the optionholder; or (c) a business unit of which the optionholder is a part. The Adriatic Board is entitled to vary or waive any performance conditions if events occur which cause: (a) the Adriatic Options to become exercisable before the end of the period for the assessment of the original

performance condition where such original performance condition cannot reasonably be assessed in the shortened time frame; or (b) the Adriatic Board to decide that the performance condition is no longer an appropriate measure of performance or is no longer required.

Adriatic Options granted under the Option Plan 2018 shall lapse on the earliest to occur of: (a) any attempt by the optionholder to transfer or encumber his or her options; (b) the date when any performance condition becomes incapable of being met or is not met within a specified time period; (c) the lapse date stated in the option certificate; (d) 90 days following the optionholder ceasing to be an employee of the Adriatic group; (e) the optionholder becoming bankrupt or subject to voluntary arrangements with its creditors; (f) the first anniversary of the optionholder's death; or (g) six months from the date of a relevant corporate event ("**Corporate Event**") being a change of control resulting from a takeover offer, or a court sanctioned scheme of arrangement, or Adriatic Shareholders becoming bound by a non-UK reorganization that affects the Adriatic Shares, or any person becoming bound or entitled to acquire the Adriatic Shares under sections 979 to 985 of the Companies Act.

Adriatic Options granted under the Option Plan 2018 are not capable of being transferred or encumbered by an optionholder. In the event of a purported transfer or grant of encumbrance by the optionholder, the Adriatic Options granted to such optionholder shall lapse. If the Adriatic Shares are listed or traded on any stock exchange, Adriatic shall apply to the relevant body for any newly issued Adriatic Shares allotted on the exercise of an option to be admitted to trading on that exchange.

Adriatic Options granted under the Option Plan 2018 may be exercised on the earliest to occur of the vesting date, the occurrence of a Corporate Event or at the Adriatic Board's discretion during the period of 90 days from the date of cessation of the optionholder's employment with the Adriatic group. Adriatic Options may only be exercised if particular the exercise or vesting conditions have been met and the Adriatic Options are exercised within the respective exercise period, the exercise price has been paid to Adriatic and all necessary arrangements have been made for the optionholder to pay all relevant tax liabilities.

If an optionholder ceases to be an employee of the Adriatic group due to his or her resignation, redundancy dismissal for cause or poor performance on or before the relevant exercise period, the Adriatic Options will lapse. If an optionholder ceases to be an employee of the Adriatic group, due to injury, ill health, disability, retirement, the optionholder's employer ceasing to be a member of the Adriatic group or the employment of the optionholder is transferred to a person that is not a member of the Adriatic group, the optionholder may exercise their Adriatic Option during the period of 90 days commencing on the earlier of the vesting date and the date on which the option becomes exercisable in relation to a Corporate Event.

In the event of any variation of the share capital of Adriatic that affect or may affect the value of the options, the Adriatic Board may adjust the number of Adriatic Shares subject to each option and/or the exercise price in a manner that the board considered to be fair and appropriate.

The terms of the Option Plan 2018 must at all times comply with applicable laws and regulations, including the rules of any stock exchange on which Adriatic's securities are admitted to trading. Adriatic Options may not be granted and may not be exercised under the Option Plan 2018 if to do so would contravene any other applicable laws or regulations, including Market Abuse Regulation (EU) No. 596/2014. The Option Plan 2018 is governed by the laws of England and Wales.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As of the date hereof, except as disclosed under the heading "*Interests of Management and Others in Material Transactions*", and elsewhere in this Schedule, there exists no indebtedness outstanding with any current or former director, executive officer or employee of Adriatic or its subsidiaries, or which is owing to another entity, which indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Adriatic or its subsidiaries, entered into in connection with a purchase of securities or otherwise.

CORPORATE GOVERNANCE

Board Charter

The role of the Adriatic Board is to provide overall strategic guidance and effective oversight of its management. The Adriatic Board derives its authority to act from Adriatic's constitutional documents. Adriatic has adopted the Adriatic Board Charter, a copy of which is included as Appendix "A" to this Schedule.

Board of Directors

The Adriatic Board is currently comprised of one executive director, being Paul Cronin, and four non-executive directors: Peter Bilbe, Michael Rawlinson, Sandra Bates and Julian Barnes. Mr. Bilbe, Mr. Rawlinson, Ms. Bates and Mr. Barnes are independent within the meaning of National Instrument 52.110 – "*Audit Committees*", and Mr. Cronin is not independent. Mr. Cronin is not independent as he is currently the Managing Director and Chief Executive Officer of Adriatic. A majority of the Adriatic Board is independent.

Adriatic considers Michael Rawlinson and Sandra Bates to be independent non-executive directors under the ASX Principles and Recommendations however such persons are not considered independent under the Quoted Companies Alliance Corporate Governance Code 2018.

John Richards resigned as a director of Adriatic on July 8, 2020.

The following directors are also directors of the following other reporting issuers or reporting issuer equivalents:

Director	Name of Issuer
Peter Bilbe	Horizon Minerals Ltd Independence Group NL
Paul Cronin	Black Dragon Gold Corp. Global Atomic Corp.
Julian Barnes	Thor Explorations Limited Zinc of Ireland NL
Michael Rawlinson	Capital Drilling Limited Hochschild Mining Plc

The Adriatic Chairman is Peter Bilbe, who is an independent director. The Adriatic Chairman is responsible for the leadership of the Adriatic Board, ensuring it is effective, setting the agenda of the Adriatic Board, conducting the Adriatic Board meetings, ensuring then approving that an accurate record of the minutes of board meetings is held by Adriatic and conducting the shareholder meetings. The Adriatic Chairman should facilitate the effective contribution of all directors and promote constructive and respectful relations between Adriatic Board members and management.

The Adriatic Board holds quarterly meetings and holds additional meetings as and when required. The independent directors do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance, but non-executive directors may confer at scheduled times without management being present.

The following table sets out the attendance for each of the directors of Adriatic at meetings of the Adriatic Board for the financial year ended June 30, 2019:

Director	Number of Meetings Director Was Eligible to Attend	Number of Meetings Director Attended
Peter Bilbe	14	14
Paul Cronin	14	14
Milos Bosnjakovic	14	14
Julian Barnes	14	12
Michael Rawlinson	3	3
Eric de Mori	14	14

Position Descriptions

The Adriatic Board has developed a written position description for the Adriatic Chairman, which is disclosed in Adriatic's Board Charter. The Adriatic Board has not yet developed a written position description for the Chairman of any of the Adriatic Board committees. The Adriatic Board delineates the role and responsibilities of each such position through informal discussions with the Adriatic Chairman and each member of the Adriatic Board.

The Adriatic Board has not developed a written position description for the Chief Executive Officer, but has clearly outlined the roles and responsibilities of Mr. Cronin acting in this capacity through his consultancy agreement, through formal and informal discussions with the Adriatic Chairman and the Adriatic Board, and through Adriatic's policies and procedures regarding work, health, safety, strategy and risk management.

Orientation and Continuing Education

All new directors are provided with an induction including comprehensive meetings with the Adriatic Chairman, the Chief Operating Officer, senior executives and management, and provision of information on Adriatic, including Adriatic's constitutional documents and policies.

All directors are expected to maintain the skills required to effectively discharge their obligations to Adriatic. Directors are encouraged to undertake continuing professional education and, if this involves industry seminars and approved educational courses, where appropriate, this is paid for by Adriatic. Furthermore, the Adriatic's Nomination Committee is responsible for approving and reviewing induction and continuing professional development programs and procedures for directors to ensure that they can effectively discharge their responsibilities.

Corporate Code of Conduct and Trading Policy and Dealing Code

Adriatic has adopted a Corporate Code of Conduct and a Trading Policy and Dealing Code. Both of the Corporate Code of Conduct and the Trading Policy and Dealing Code are accessible on Adriatic's website at <https://www.adriaticmetals.com/the-business/>.

The Corporate Code of Conduct and the Trading Policy and Dealing Code cover matters that include, but are not limited to:

- personal and professional behaviour;
- conflicts of interest;
- security of information;
- discrimination and harassment;
- corrupt conduct; and
- insider trading.

The Corporate Code of Conduct's purpose is to provide a framework for decisions and actions in relation to ethical conduct in employment. It underpins Adriatic's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders. The document sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standard of behavior expected from employees. The Corporate Code of Conduct provides that employees are encouraged to raise any matters of concern in good faith with the head of their business unit or with Adriatic's Company Secretary and/or its Legal Counsel.

The Trading Policy and Dealing Code of Adriatic set out the policy on "dealing", being the entry into any transaction relating to Adriatic's securities, including purchases, sales, the exercise of options, the receipt of shares under share plans, using Adriatic's securities as a security for a loan or other obligation and entering into, amending or terminating any agreement in relation to Adriatic's securities by key management personnel and other employees that are listed as insiders of Adriatic. Such personnel are required by the code to follow the clearance procedures set forth therein prior to dealing with Adriatic's securities because they are or may be considered to be in the possession of inside information respecting Adriatic.

Nomination of Directors

The Adriatic Board has established the Nomination Committee to lead the process for the Adriatic Board in monitoring and reviewing matters of significance affecting the composition of the Adriatic Board, in particular, making recommendations to the Adriatic Board to achieve the optimal composition.

The Nomination Committee is comprised of Peter Bilbe, who acts as Chairman of the Nomination Committee, Julian Barnes and Sandra Bates, all of whom are independent within the meaning of National Instrument 51-110 – "*Audit Committees*".

The Nomination Committee is governed by the Nomination Committee Charter, a copy of which is accessible on Adriatic's website at <https://www.adriaticmetals.com/the-business/>. The Nomination Committee is responsible for, among other things:

- identifying and recommending to the Adriatic Board candidates for the Adriatic Board after considering the necessary and desirable competencies of new Adriatic Board members to ensure the appropriate mix of skills and experience and after assessment of how the candidates can contribute to the strategic direction of Adriatic;
- ensuring that each director and senior executive is a party to a written agreement with Adriatic which sets out the terms of the director's or senior executive's appointment;
- approving and reviewing induction and continuing professional development programs and procedures for directors to ensure that they can effectively discharge their responsibilities; and
- arranging an annual performance evaluation of the Adriatic Board, its Nomination Committee, individual directors and senior executives, as appropriate.

The Nomination Committee meets at least once per year, and additionally as circumstances require. Meetings are called by the Secretary of the Nomination Committee, as directed by the Adriatic Board, or at the request of the Chairman of the Nomination Committee. Decisions are based on a majority of votes, with the Chairman of the Remuneration Committee having a casting vote. The Nomination Committee may invite executive management team members or other individuals, including external third parties, to attend meetings of the Nomination Committee, as they consider appropriate.

Compensation

The Adriatic Board has established the Remuneration Committee to assist the Adriatic Board in monitoring and reviewing any matters of significance affecting the remuneration of the Adriatic Board and employees of Adriatic.

The Remuneration Committee is comprised of Peter Bilbe, who acts as Chairman of the Remuneration Committee, Michael Rawlinson and Julian Barnes, all of whom are independent within the meaning of National Instrument 52-110 – "*Audit Committees*".

The Remuneration Committee is governed by the Remuneration Committee Charter, which is accessible on Adriatic's website at <https://www.adriaticmetals.com/the-business/>. The Remuneration Committee is responsible for, among other things:

- reviewing and approving the Adriatic group's recruitment, retention and termination policies and procedures for senior executives to enable Adriatic to attract and retain executives and directors who can create value for the Adriatic Shareholders;
- considering and making recommendations to the Adriatic Board on the remuneration for each executive director (including base pay, incentive payments, equity awards, retirement rights, and service contracts) having regard to the executive remuneration policy;
- reviewing and approving the proposed remuneration (including incentive awards, equity awards and service contracts) for the direct reports of the Chief Executive Officer/Managing Director; and
- reviewing and approving the design of any executive incentive plans.

The Remuneration Committee meets at least once per year, and additionally as circumstances require. Meetings are called by the Secretary of the Remuneration Committee, as directed by the Adriatic Board, or at the request of the Chairman of the Remuneration Committee. Decisions are based on a majority of votes, with the Chairman of the Remuneration Committee having a casting vote. The Remuneration Committee may invite executive management team members or other individuals, including external third parties, to attend meetings of the Remuneration Committee, as they consider appropriate.

Other Committees

The Adriatic Board has established an Audit and Risk Committee as described below under "*Audit Committee*".

Assessments

Adriatic has adopted a Performance Evaluation Policy which is accessible on Adriatic's website at <https://www.adriaticmetals.com/the-business/>. Pursuant to the Performance Evaluation Policy, the Nomination Committee is responsible for arranging performance evaluations for the Adriatic Board, its committees, individual directors and senior executives, on an annual basis, as appropriate. To assist in this process, an independent advisor may be used.

The review will include:

- comparing the performance of the Adriatic Board with the requirements of the Adriatic Board Charter;
- examination of the Adriatic Board's interaction with management;
- the nature of information provided to the Adriatic Board by management; and
- management's performance in assisting the Adriatic Board to meet its objectives.

A similar review may be conducted for each committee of the Adriatic Board, by the Adriatic Board, with the aim of assessing the performance of each committee and identifying areas where improvements can be made.

Adriatic must disclose, in relation to each financial year, whether or not the relevant annual performance evaluations have been conducted in accordance with the above processes.

Director Term Limits and Other Mechanisms of Adriatic Board Approval

Subject to the Articles and the Companies Act, Adriatic may by ordinary resolution appoint a person who is willing to act as a director and the Adriatic Board shall have power at any time to appoint any person who is willing to act as a director, in both cases either to fill a vacancy or as an addition to the existing Adriatic Board.

Furthermore, at each annual general meeting, one third of the directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one third shall retire from office but so that, if there are fewer than three directors who are subject to retirement by rotation, one shall retire from office. In addition to this, there shall also be required to retire by rotation any director who at an annual general meeting shall have been a director at each of the preceding two annual general meetings, provided that: (a) he or she was not appointed or reappointed at either such annual general meeting; and (b) he or she has not otherwise ceased to be a director (whether by resignation, retirement, removal or otherwise) and been reappointed by general meeting of Adriatic at or since either such annual general meeting.

Representation of Women on the Board and in Executive Officer Positions

The Adriatic Board is committed to workplace diversity and supports representation of women at the senior level of Adriatic and on the Adriatic Board, where appropriate.

Diversity Policy

Adriatic has adopted a Diversity Policy, a copy of which is accessible on Adriatic's website at <https://www.adriaticmetals.com/the-business/>. The policy provides a framework for Adriatic to achieve, among other things:

- a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;
- improved employment and career development opportunities for women; and
- a work environment that values and utilizes the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workplace diversity and successful management of diversity.

Pursuant to the Diversity Policy, the Adriatic Board is responsible for developing measurable objectives and strategies (in this section, the "**Measurable Objectives**") to meet the objectives of the Diversity Policy, including for achieving gender diversity, and monitoring the progress of the Measurable Objectives. The Adriatic Board shall annually assess any Measurable Objectives, and Adriatic's progress towards achieving them.

Adriatic's diversity strategies may include:

- recruiting from a diverse pool of candidates for all positions, including senior management and the Adriatic Board;
- reviewing succession plans to ensure an appropriate focus on diversity;
- identifying specific factors to take account of in recruitment and selection processes to encourage diversity;
- developing programs to develop a broader pool of skilled and experienced senior management and Adriatic Board candidates, including workplace development programs, mentoring programs and targeted training and development;
- developing a culture which takes account of domestic responsibilities of employees; and
- any other strategies the Adriatic Board develops from time to time.

The Adriatic Chairman is responsible for monitoring the scope and currency of the Diversity Policy, and Adriatic is responsible for implementing, monitoring and reporting on the Measurable Objectives. Measurable Objectives, if any, as set by the Adriatic Board will be included in the annual KPIs for the Chief Executive Officer/Managing Director and senior executives. In addition, the Adriatic Board will review progress against the Measurable Objectives (if any) as a KPI in its annual performance assessment.

Adriatic will disclose, for each financial year: (a) any Measurable Objectives set by the Adriatic Board; (b) progress against these Measurable Objectives; and (c) either: (i) the respective proportions of men and women on the Adriatic Board, in senior executive positions, and across Adriatic; or (ii) if the entity is a "relevant employer" under the *Workplace Gender Equality Act* (Australia), the entity's most recent "Gender Equality Indicators", as defined in the *Workplace Gender Equality Act* (Australia).

The Diversity Policy does not form part of an employee's contract of employment with Adriatic, nor gives rise to contractual obligations. However, to the extent that the Diversity Policy requires an employee to do or refrain from doing something and at all times subject to legal obligations, the Diversity Policy forms a direction of Adriatic with which an employee is expected to comply.

Measurable Objectives and Targets

Adriatic currently has one female director, representing 14% of its total directors, and no female executive officers.

Given the size and stage of development of Adriatic, the Adriatic Board has not set any Measurable Objectives or targets with regards to the representation of women on the Adriatic Board or in executive officer positions. As Adriatic grows and increases its personnel, the Adriatic Board expects to assess its corporate governance policies to include diversity targets when considering Adriatic Board and executive officer appointments.

AUDIT COMMITTEE

Audit and Risk Committee

The Audit and Risk Committee Charter is included as Appendix "B" to this Schedule.

The table below (and note thereto) sets out the names and relevant education and experience of the current members of the Audit and Risk Committee, and whether each member is independent and financially literate:

Name	Relevant Education and Experience	Independent	Financially Literate
Michael Rawlinson ⁽¹⁾	Education: Bachelor's Degree in Economics (First Class Honours), University of Birmingham, UK; MSc Resource and Environmental Economics, University College London. Experience: 30 years in corporate and financial analysis in the resources sector working as a sell side analyst and corporate financier in Investment Banks; Audit Committee experience including: Hochschild Mining plc (2016-present); Capital Drilling (2018-present) and Talvivaara Mining plc (2011-2013).	Yes	Yes

Name	Relevant Education and Experience	Independent	Financially Literate
Julian Barnes	Education: BSc (Hons) Geology, 1976 University College Swansea, PhD 1981 University of Leeds Experience Over 38 years' experience. Founded and co-an an international mining consultancy (1986-2004), specialised in project management and due diligence assessments. Member Audit Committee: Thor Explorations Ltd (2017-present), Adriatic Metals Ltd (2018 - present).	Yes	Yes

Note:

- (1) Chairman of the Audit and Risk Committee.

Prior to his resignation from the Adriatic Board on July 8, 2020, Mr. John Richards was a member of the Audit and Risk Committee. As a result of his resignation, Adriatic expects to appoint a third director to the Audit and Risk Committee in due course.

Pre-Approval Policies and Procedures

Pursuant to the Audit and Risk Committee Charter, the Audit and Risk Committee must provide pre-approval of non-audit services that are to be undertaken by Adriatic's external auditor.

External Auditor Service Fees

The aggregate fees billed to Adriatic by Lubbock Fine, Adriatic's external auditor for the years ended June 30, 2019 and 2018 are as follows:

Financial Year ended June 30,	Audit Fees (£)	Audit-Related Fees (£)	Tax Fees (£)	All Other Fees (£)
2019	25,000	3,650 ⁽¹⁾	Nil	Nil
2018	12,500	7,000 ⁽²⁾	Nil	Nil

Notes:

- (1) Consisted of fees relating to the review of the interim accounts for the 6 months ended December 31, 2018.
(2) Consisted of fees relating to Lubbock Fine's assistance and advice regarding certain share option arrangements.

Following the conclusion of a formal tender process, Adriatic announced on June 15, 2020 that it had appointed BDO LLP as its new external auditor for the financial year ending June 30, 2020. The appointment of BDO for the following financial year will be subject to approval by Adriatic Shareholders at the next Annual General Meeting of Adriatic to be held later in the year.

Lubbock Fine resigned as Adriatic's auditor and provided the following statement of reasons relating to its resignation, in accordance with Section 519 of the Companies Act: "The Company put the audit out to tender and another firm was selected."

RISK FACTORS

The operations of Adriatic are high-risk due to the nature of its business, its limited operating history and its stage of development. Some of the risks that could materially affect Adriatic and its future operating results, and which could cause actual results to differ materially from those described in forward-looking information relating to Adriatic, are described below.

Adriatic may face additional risks and uncertainties other than those listed below (or elsewhere in the Circular, including this Schedule), including risks and uncertainties that are unknown to Adriatic and risks and uncertainties now believed to be immaterial, which could turn out to be material and which could have a material adverse effect on Adriatic's business, results of operations and financial condition. If any of the risks described below (or elsewhere in the Circular, including this

Schedule) actually occur, the business, financial condition and/or results of operations of Adriatic could be materially adversely affected. Further, Tethyan Shareholders could lose all or part of their investment.

Risks Related to the Combined Company

The business and operations of Adriatic after completion of the Arrangement will be subject to risks, including those set out herein in respect of Adriatic and those set forth in the Circular and public disclosure documents of Tethyan in respect of Tethyan. In addition:

- (a) The Combined Company may not realize the benefits currently anticipated due to challenges associated with integrating the operations, technologies and personnel of Adriatic and Tethyan. The success of the Combined Company will depend in large part on the success of management of the Combined Company in integrating the operations, technologies and personnel of Tethyan with those of Adriatic after the Effective Date. The failure of the Combined Company to achieve such integration could result in the failure of the Combined Company to realize the anticipated benefits of the Arrangement and could impair the results of operations, profitability and financial results of the Combined Company.
- (b) The overall integration of the operations, technologies and personnel of Tethyan into the Combined Company may also result in unanticipated operational problems, expenses, liabilities and diversion of management's time and attention. Additionally, the Combined Company will likely require additional financing to carry out its expected exploration on its properties and to meet future property commitments and obligations. There can be no assurance that such financing will be available on acceptable terms or at all.
- (c) The unaudited pro forma consolidated financial statements of the Combined Company are presented for illustrative purposes only and may not be an indication of the Combined Company's financial conditions or results of operations following the Arrangement. The Combined Company's unaudited pro forma consolidated financial statements contained in this Information Circular are presented for illustrative purposes only as of their respective dates and may not be an indication of the financial condition or results of operations of the Combined Company following the Arrangement. The unaudited pro forma condensed consolidated financial statements have been derived from the respective historical financial statements of Adriatic and Tethyan and certain adjustments and assumptions made as of the dates indicated therein have been made to give effect to the Arrangement and the other respective relevant transactions. The information upon which these adjustments and assumptions have been made is preliminary and these kinds of adjustments and assumptions are difficult to make with complete accuracy. See "*Forward Looking Statements*" of this Schedule and the other risk factors set forth herein and in the Circular. Moreover, the unaudited pro forma consolidated financial statements do not reflect all costs expected to be incurred by the Combined Company in connection with the Arrangement. For example, the impact of any incremental costs incurred in integrating Adriatic and Tethyan is not reflected in unaudited pro forma consolidated financial statements.

Risks relating to Adriatic

Exploration and Development

Mineral exploration and development is a speculative and high-risk undertaking that may be impeded by circumstances and factors beyond the control of Adriatic. Success in this process involves (amongst other things):

- discovery and proving-up, or acquiring, an economically recoverable resource or reserve;
- access to adequate capital throughout the acquisition/discovery and project development phases;
- securing and maintaining title to mineral exploration projects;
- obtaining required development consents and approvals necessary for the acquisition, mineral exploration, development and production phases; and

- accessing the necessary experienced operational staff, the applicable financial management and recruiting skilled contractors, consultants and employees.

There can be no assurance that exploration on the Vareš Project, or any other exploration properties that may be acquired in the future, will result in the discovery of an economic mineral resource. Even if an apparently viable mineral resource is identified, there is no guarantee that it can be economically exploited.

Specifically, the PEA on the Vareš Project constitutes a conceptual study based on low-level technical and economic assessments. As such, it is insufficient to provide certainty that the conclusions of the PEA will be realized or that any conceptual, projected or indicative net present value or internal rate of return referred to in PEA is assured by the Vareš Project or certainty as to estimation of ore reserves or any assurance of an economic development case at this stage. Conceptual capital and operating costs set out in the PEA are considered to have an accuracy of +/- 40% and while Adriatic considers all the material assumptions in the PEA to be based on reasonable grounds, there is no certainty that they will prove to be correct which, may affect the range of outcomes, returns or values projected in the PEA.

The future exploration activities of Adriatic may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, changing government regulations and many other factors beyond the control of Adriatic.

Country Risks

The Vareš Project is located in Bosnia and Herzegovina. Adriatic will be subject to the risks associated with operating in that country, including various levels of political, sovereign, economic and other risks and uncertainties.

These risks and uncertainties also include, but are not limited to, labour unrest, the risks of war or civil unrest, expropriation and nationalization, renegotiation or nullification of existing concessions, licences, permits and contracts, illegal mining, changes in taxation policies, restrictions on foreign exchange and repatriation and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitude in Bosnia and Herzegovina may adversely affect the operations or profitability of Adriatic. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, foreign currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

Adriatic will conduct its operations in accordance with international laws and standards, which may not be consistent with local customs or practices that could result in loss or reduction of production, logistics and sales, which may adversely affect Adriatic's operational and financial performance.

Outcomes in courts in Bosnia and Herzegovina may be less predictable than in the United Kingdom, which could affect the enforceability of contracts entered into by Adriatic or its subsidiary in Bosnia and Herzegovina.

Any material adverse changes in government policies, legislation, political, legal and social environments in Bosnia and Herzegovina or any other country that Adriatic has economic interests in that affect mineral exploration activities, may affect the viability and profitability of Adriatic.

Mining Concessions in Bosnia and Herzegovina

Following the nation's recovery from the conflict of the 1990s, the laws and regulations on mining in Bosnia and Herzegovina are still developing and as a result some areas of the law on mining are unclear. Exploration concessions are granted by

means of a concession agreement between the relevant level of government and the concession holder. The Vareš Concession held by Eastern Mining is located in the Zenica-Doboj Canton and is granted and regulated by an agreement between Eastern Mining and the Government of Zenica-Doboj Canton.

Eastern Mining has provided a bill of exchange for an amount of BAM300,000 to the Government of Zenica-Doboj Canton as security for the quarterly concession fee payable once exploitation commences. The Vareš Concession does not provide any guidance on when the bill of exchange can be enforced.

Adriatic has been advised that the provisions regarding the bill of exchange, land expropriation and the quarterly concession fee in the Vareš Concession currently lack clarity and that Adriatic may need to re-negotiate these terms if and when it commences exploitation operations.

In the event Adriatic wishes to commence exploitation operations it must obtain the consent of all owners of the land subject to the Vareš Concession through a land expropriation process involving the Government of Zenica-Doboj Canton. This process can be lengthy and costly. Further, if Adriatic commences exploitation operations, it will be required to pay a quarterly concession fee. This fee is to be re-negotiated each quarter between the parties to the Vareš Concession. If the parties cannot agree to a fee, then the agreement can be terminated.

While it is Adriatic's intention to comply with the terms of the Vareš Concession, there can be no guarantees made that, in the future, Adriatic will satisfy all of its obligations under the agreement. If Adriatic does not comply with the terms of the agreement it may be in default and the Vareš Concession may be terminated, which would have adverse consequences for Adriatic's operational and financial performance.

Grant of Future Authorizations to Explore and Mine

If Adriatic discovers an economically viable mineral deposit that it then intends to develop, it will, among other things, require various approvals, licences and permits before it will be able to mine the deposit. There is no guarantee that Adriatic will be able to obtain all required approvals, licences and permits. To the extent that required authorizations are not obtained or are delayed, Adriatic's operational and financial performance may be materially adversely affected.

Environmental Risks

Adriatic's activities are subject to the environmental laws inherent in the mining industry and those specific to Bosnia and Herzegovina. Adriatic intends to conduct its activities in an environmentally responsible manner and in compliance with all applicable laws. However, Adriatic may be the subject of accidents or unforeseen circumstances that could subject Adriatic to extensive liability.

In addition, environmental approvals are required from relevant government and regulatory authorities before activities may be undertaken which are likely to impact the environment. Failure or delay in obtaining such approvals will prevent Adriatic from undertaking its planned activities.

Further, Adriatic is unable to predict the impact of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase Adriatic's cost of doing business or affect its operations in any area.

Operational Risks

The operations of Adriatic may be affected by various factors, including:

- failure to locate or identify mineral deposits;
- failure to achieve predicted grades in exploration and mining;
- operational and technical difficulties encountered in mining;

- insufficient or unreliable infrastructure, such as power, water and transport;
- difficulties in commissioning and operating plant and equipment;
- mechanical failure or plant breakdown;
- unanticipated metallurgical problems which may affect extraction costs; and
- adverse weather conditions.

In the event that any of these potential risks eventuate, Adriatic's operational and financial performance may be adversely affected.

Resource and Reserve Estimates

Whilst Adriatic intends to undertake exploration activities with the aim of defining a resource, no assurances can be given that the exploration will result in the determination of a resource. Even if a resource is identified, no assurance can be provided that this can be economically extracted. Resource and reserve estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when initially calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource and reserve estimates are imprecise and depend to some extent on interpretation which may prove to be inaccurate.

Commodity Prices

The value of Adriatic's assets and potential earnings may be affected by fluctuations in commodity prices and exchange rates, such as the US\$ and Sterling denominated zinc, lead, gold, silver, copper and barite prices, and the Sterling / US\$ exchange rate.

These prices can significantly fluctuate, and are exposed to numerous factors beyond the control of Adriatic such as world demand for precious and other metals, forward selling by producers, and production cost levels in major metal producing regions. Other factors include expectations regarding inflation, the financial impact of movements in interest rates, global economic trends, and domestic and international fiscal, monetary and regulatory policy settings.

In the event Adriatic achieves exploration success leading to viable mining production, Adriatic's financial performance will be highly dependent on commodity prices and exchange rates.

Foreign Exchange Risk

Adriatic's costs and expenses in Bosnia and Herzegovina and other foreign countries are likely to be in foreign currencies. Accordingly, the depreciation of the Sterling and/or the appreciation of the foreign currency relative to the Sterling could result in a translation loss on consolidation which is taken directly to shareholder equity.

Early Stage of Operations

Adriatic has no properties producing positive cash flow and its ultimate success will depend on its ability to generate cash flow from active mining operations in the future and its ability to access equity markets for its development requirements. All of Adriatic's activities will be likely directed to exploration and, if warranted, development of its existing properties and to the search for and the development of new mineral deposits. Significant capital investment will most likely be required to achieve commercial production. Losses are likely to occur in the near future and there can be no assurance that that Adriatic will be profitable in the future.

Risks Relating to Adriatic's Directors and Senior Managers

Adriatic will rely heavily on a small number of key individuals, in particular the directors of Adriatic, its senior management and consultants and future directors, senior management and consultants, including, among other matters, to develop and

maintain important relationships with governmental and regulatory authorities in Bosnia and Herzegovina. Adriatic's business may be negatively affected by the failure to attract, or the departure of, any of these individuals, or any of a number of other key employees. There can be no guarantee that Adriatic will be able to continue to attract and retain required employees. Adriatic does however hold key person insurance in respect of the directors of Adriatic.

The loss or diminution in the services of any of the directors of Adriatic or any member of the management team or an inability to recruit, train and/or retain necessary personnel could have a material and adverse effect on Adriatic's business, results of operations, financial condition and prospects.

Public Health Crises

An outbreak of epidemics, pandemics or other health crises, such as the COVID-19 novel coronavirus ("**COVID-19**") and the subsequent response by government and private actors to such health crises could result in a materially adverse effect on Adriatic's business, operations and financial condition. As at the date of this Circular, the COVID-19 pandemic and efforts to control its spread have significantly curtailed the movement of people, goods and services globally. Emergency measures imposed by governments on business and individuals, including quarantines, travel restrictions, social-distancing, closures of non-essential businesses and shelter-in-place orders, among other measures, have impacted and may further impact our workforce and operations.

The COVID-19 pandemic may lead to risks to employee health and safety and may result in a slowdown or temporary suspension of any exploration activities at some or all of Adriatic's mineral properties. The conduct of exploration and development programs of Adriatic may be impacted or delayed due to limitation on employee mobility, travel restrictions and shelter-in-place orders, which may restrict or prevent Adriatic's ability to access its mineral properties. Any such limitations, restrictions and orders may have a material adverse effect upon ongoing exploration programs at Adriatic's mineral properties and, ultimately, on our business and financial condition.

While these effects are expected to be temporary, the duration of the disruptions to business internationally and the related financial impact cannot be estimated with any degree of certainty at this time.

The COVID-19 pandemic continues to rapidly evolve and the extent to which it may impact our business, financial condition and results of operations, as well as our plans relating to exploration expenditures and other discretionary items, will depend on future developments, which are highly uncertain and cannot be predicted with confidence.

Risk Factors Relating to the Adriatic Shares

Realization of Investment

Tethyan Shareholders should be aware that the value of the Adriatic Shares may be volatile and may go down as well as up and Tethyan Shareholders may therefore not recover the full value of their original investment. The price at which Tethyan Shareholders may dispose of their Adriatic Shares may be influenced by a number of factors, some of which may pertain to Adriatic and others of which are extraneous. On any disposal Tethyan Shareholders may realize less than the original amount invested.

Volatility of Share Price

The market price of the Adriatic Shares could fluctuate significantly based on a number of factors in addition to those listed in this document, including:

- Adriatic's operating performance and the performance of competitors and other similar companies;
- the market's reaction to Adriatic's press releases, other public announcements and Adriatic's filings with various securities regulatory authorities;
- changes in earnings estimates or recommendations by research analysts who track the Adriatic Shares or the shares of other companies in the resource sector;

- changes in general economic conditions;
- the number of Adriatic Shares publicly traded;
- the arrival or departure of key personnel;
- acquisitions, strategic alliances or joint ventures involving Adriatic or its competitors; and
- the other factors set forth herein.

Payment of Dividends

Adriatic has not declared or paid any dividends on the Adriatic Shares to date and cannot assure Tethyan Shareholders that it will pay dividends in the future. The payment of any future dividends will depend upon earnings and Adriatic's financial condition, current and anticipated cash needs and such other factors as the directors consider appropriate.

Taxation

The acquisition and disposal of Adriatic Shares will have tax consequences, which will differ depending on the individual financial affairs of each Tethyan Shareholder. All Tethyan Shareholders are urged to obtain independent financial advice about the consequences of acquiring Adriatic Shares from a taxation point of view and generally.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

Since July 1, 2018, the beginning of Adriatic's most recently completed financial year for which financial statements are included in this Circular, there have been and are no legal proceedings outstanding, threatened or pending by or against Adriatic, or to which Adriatic is a party or to which any of Adriatic's property is subject, nor to Adriatic's knowledge are any such legal proceedings contemplated, which could become material to Adriatic.

Regulatory Actions

Since July 1, 2018, the beginning of Adriatic's most recently completed financial year for which financial statements are included in this Circular, there have been and are no regulatory actions, proceedings outstanding, threatened or pending, by or against Adriatic or to which Adriatic is a party or to which any of Adriatic's property is subject, nor to Adriatic's knowledge are any such legal proceedings contemplated, which could become material to Adriatic.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Within the three most recently completed financial years or during the current financial year, no director or executive officer of Adriatic, or shareholder who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Adriatic Shares, or any known associates or affiliates of such persons, has or has had any material interest, direct or indirect, in any transaction or in any proposed transaction that has materially affected or is reasonably expected to materially affect Adriatic.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

Auditor

The auditors of Adriatic for the fiscal year ended June 30, 2019 were Lubbock Fine Chartered Accountants of 3rd Floor, Paternoster House, 65 St. Paul's Churchyard, London EC4M 8AB. Lubbock Fine has advised that they are independent of Adriatic within the meaning of the Companies Act and the ethical requirements of the Financial Reporting Council's Ethical Standard that are relevant to the audit of Adriatic's financial statements in the United Kingdom.

Lubbock Fine audited the financial statements of Adriatic for the year ended June 30, 2019 and issued an auditor's report dated September 25, 2019. As at September 25, 2019, Lubbock Fine was not required by securities legislation to enter, and had not entered, into a participation agreement with the Canadian Public Accountability Board. An audit firm that enters into a participation agreement is subject to the oversight program of the Canadian Public Accountability Board.

On June 15, 2020, Adriatic announced that it had appointed BDO LLP of 55 Baker Street, London W1U 7EU, United Kingdom as its auditor for the financial year ending June 30, 2020, replacing Lubbock Fine, which resigned as Adriatic's auditor.

Transfer Agent

Adriatic operates a principal register of both certificated and uncertificated Adriatic Shares in the United Kingdom, where its transfer agent and registrar is Computershare Investor Services plc, which is located at The Pavilions, Bridgwater Road, Bristol, BS13 8AE, United Kingdom. Settlement of transactions in the Adriatic Shares may take place within the CREST system if any investor so wishes. CREST is a paperless settlement system operated by Euroclear UK & Ireland Limited, which enables securities to be evidenced, otherwise than by a certificate and transferred otherwise than by written instrument.

In Australia, Adriatic operates a branch register of Adriatic Shares, which is the register of the legal title (and reflects legal ownership by the depositary of the Adriatic Shares underlying the CDIs, and an uncertificated issuer sponsored subregister of CDIs and an uncertificated CHESS sub-register of CDIs. The two uncertificated sub-registers of CDIs combined makes up the register of beneficial title of the Adriatic Shares underlying the CDIs. Adriatic's uncertificated issuer sponsored sub-register of CDIs and uncertificated CHESS sub-register of CDIs is maintained by Computershare Investor Services Pty Limited, which is located at Level 11, 172 St. Georges Terrace, Perth, WA, 6000, Australia.

MATERIAL CONTRACTS

Other than contracts entered into in the ordinary course of business and as disclosed below, there are no material contracts entered into by Adriatic since July 1, 2018, or that are still in effect prior to the date of this Schedule.

Vareš Concession

On March 12, 2013, Eastern Mining entered into the Vareš Concession with the Zenica-Doboj Canton in relation to the Vareš Project which is situated in the Municipality of Vareš. The Vareš Concession has been granted to Eastern Mining for the exploration and exploitation of metallic mineral resources, including lead, zinc and barite. Eastern Mining is obliged to perform exploration and exploitation work, which includes mining and certain auxiliary works. The term of the Vareš Concession is for a period of 25 years from March 12, 2013. The exploration and preparatory works were originally required to be completed within a period of five years from such date. On February 19, 2018, Eastern Mining and the Zenica-Doboj Canton agreed to extend the exploration period until May 25, 2020. Eastern Mining will be required to pay a concession fee every quarter, calculated on the basis of per tonne of ore exploited during the relevant period, at a rate determined between the parties based on the relevant mineral prices on the LSE, but no less than BAM 1.50 per tonne, with an obligatory minimum annual payment equal to an amount of 100,000 tons of exploitation ore, even if the amount exploited is less. If no agreement is achieved in reviewing and aligning the price within a period of 90 days, the Zenica-Doboj Canton is entitled to terminate the Vareš Concession. As security for the quarterly concession fees payable, Eastern Mining has issued a bill-of-exchange with a value of BAM 300,000 to the Zenica-Doboj Canton. A letter from the Ministry of Economy dated October 18, 2019 has clarified that Eastern Mining is not under an obligation to meet any such exploitation requirements prior to May 25, 2020. On January 29, 2020, Adriatic announced that it had entered into Annexure 4 to the Vareš Concession with the Ministry of Economy for Zenica-Doboj Canton.

The Zenica-Doboj Canton may terminate the Vareš Concession in certain circumstances including if Eastern Mining, fails to pay the quarterly concession fee, insolvency proceedings are commenced against it or if it fails to meet any of its obligations under the Vareš Concession. The Zenica-Doboj Canton must provide Eastern Mining at least 30 days to remedy a breach under the Vareš Concession.

2018 Collaboration & Strategic Partnership Deed

On May 1, 2018, Adriatic entered into the 2018 Collaboration & Strategic Partnership Deed with Sandfire Resources, which provided for a strategic partnership between the parties designed to provide Adriatic with the technical and other skill and expertise of Sandfire Resources, broaden Adriatic's exposure to investors, financiers and other commercial partners and assist Adriatic with fast tracking the development of its projects.

The deed contained an anti-dilution right that, subject to the terms thereof, provided Sandfire Resources rights to participate in offers of securities and issuances of securities on conversion or exercise of any equity securities by Adriatic up to the amount necessary to ensure that Sandfire Resources' interest in Adriatic's securities immediately prior to the completion of such offer or issue of securities is maintained, provided that Sandfire Resources' participation was for cash consideration: (a) no more favourable than the cash consideration paid by third parties; or (b) equivalent in value to non-cash consideration offered by third parties. Under the deed the anti-dilution right was drafted to cease to apply on the earlier to occur of Sandfire Resources' interest in Adriatic's securities: (a) falling below 7.70% of Adriatic's issued ordinary share capital (other than as a result of the offer or issue of securities to which the anti-dilution right applied); and (b) increasing to more than 19.99% of Adriatic's issued ordinary share capital. A waiver was sought and obtained from the ASX in relation to the anti-dilution right, which waiver is also subject to terms and conditions. Sandfire Resources has sought to subscribe for a further 651,622 Adriatic Shares pursuant to the anti-dilution terms of the 2018 Collaboration & Strategic Partnership Deed. Sandfire's request has not been agreed and it and that deed are the subject of ongoing discussions between Sandfire and Adriatic.

Pursuant to the deed, Sandfire Resources was entitled to nominate one director to the Adriatic Board as a non-executive director (a "**Nominated Director**") when Sandfire Resources' interest in Adriatic's securities increased to 10% or more of Adriatic's issued ordinary share capital. Under its terms, the right of Sandfire Resources to nominate a director ceased to apply if Sandfire Resources' interest in Adriatic fell below 10% of Adriatic's issued ordinary share capital for more than 30 consecutive days on which the ASX is open for trading. Sandfire Resources had nominated John Richards as its Nominated Director. Mr Richards resigned as a director to Adriatic on July 8, 2020.

Under the deed, Adriatic agreed to establish a strategic technical committee (the "**Strategic Committee**") which, in relation to Adriatic's projects (surrounding prospects and related exploration or development opportunities) would be responsible for: (a) assessing and reviewing overall progress and (b) providing the Adriatic Board with non-binding recommendations and advice as to technical, in-country, political, funding, and marketing matters. The Strategic Committee would: (a) be chaired by either Adriatic's Managing Director, or another representative appointed by Adriatic and (b) include at least one subject matter expert from each of Sandfire Resources and Adriatic. If Sandfire Resources' interest in Adriatic's securities falls below 7.70% of Adriatic's issued ordinary share capital for more than 30 consecutive days on which the ASX is open for trading, the obligations relating to the Strategic Committee cease to apply.

The deed is governed by and construed in accordance with the laws of Western Australia.

EXPERTS

Name of Experts

Lubbock Fine prepared the independent auditor's report for the audited financial statements of Adriatic for the years ended June 30, 2019, June 30, 2018 and for the period from February 3, 2017 to June 30, 2017. Lubbock Fine is independent in accordance with the Companies Act and the ethical requirements of the Financial Reporting Council's Ethical Standard that are relevant to the audit of Adriatic's financial statements in the United Kingdom.

Information of a scientific or technical nature in respect of the Vareš Project included in this Schedule is based on the Vareš Technical Report with an effective date of April 30, 2020, prepared by Galen White, BSc, FAusIMM, FGSL, Chris Parry, MSc, C.Eng. MIMMM, Bruce Pilcher, C.Eng., FIMMM, FAusIMM, Neal Reynolds, PhD, FIMMM, FAusIMM, Dmitry Pertel, MSc, MAIG, Gary Patrick, MAusIMM and David Muir, BSc, MAIG of CSA Global, all of who are independent "qualified persons" under NI 43-101. A copy of the Vareš Technical Report is available on Adriatic's website at www.adriaticmetals.com and under Tethyan's profile on SEDAR at www.sedar.com. See "*Vareš Project*" of this Schedule.

Scientific and technical information relating to the Vareš Project contained in the "Vareš Project" section of this Schedule, other than the subsection therein titled "*Recent Exploration*" was approved by Galen White, BSc, FAusIMM, FGSL, who is a "qualified person" within the meaning of NI 43-101. Other scientific and technical information in this Schedule was prepared under the supervision of, and approved by, Phillip Fox, CPO member of the Australasian Institute of Geoscientists, who is the Chief Geologist of Adriatic and a "qualified person" within the meaning of NI 43-101.

Interest of Experts

To the knowledge of Adriatic, after reasonable inquiry, as of the date hereof, the aforementioned individuals and, as applicable, their firm(s), associates or affiliates, do not beneficially own, directly or indirectly, any securities of Adriatic.

EXEMPTIONS

On June 24, 2020, the British Columbia Securities Commission granted an exemption to Tethyan from the requirements under Item 14.2 of Form 51-102F5 – Information Circular of National Instrument 51-102 – *Continuous Disclosure Obligations* to include in the Circular a comparative interim financial report of Adriatic for the nine-month period ended March 31, 2020 under Item 32.3 of Form 41-101F1 – *Information Required in a Prospectus* of National Instrument 41-101 – *General Prospectus Requirements*, with comparative financial information for the corresponding period in the immediately preceding financial year. In lieu of such comparative interim financial report, the Circular includes the Adriatic Annual Financial Statements and the Adriatic Half-Year Financial Statements.

Schedule "G"

INFORMATION CONCERNING THE COMBINED COMPANY

The following information is presented on a post-Arrangement basis and reflects the business, financial and share capital position of Adriatic assuming completion of the Arrangement. See "Cautionary Statement Regarding Forward-Looking Statements" in this Circular in respect of forward-looking statements that are included in this Schedule "G" and in the documents incorporated by reference herein. The information contained in this Schedule "G", unless otherwise indicated, is given as of July 13, 2020.

All capitalized terms used in this Schedule "G" and not defined herein have the meaning ascribed to such terms in the "Glossary of Terms" in this Circular. Unless otherwise indicated herein, references to "\$", "C\$" or "Canadian dollars" are to Canadian dollars. See also "Cautionary Statement Regarding Forward-Looking Statements" in this Circular.

Corporate Structure

Name and Incorporation

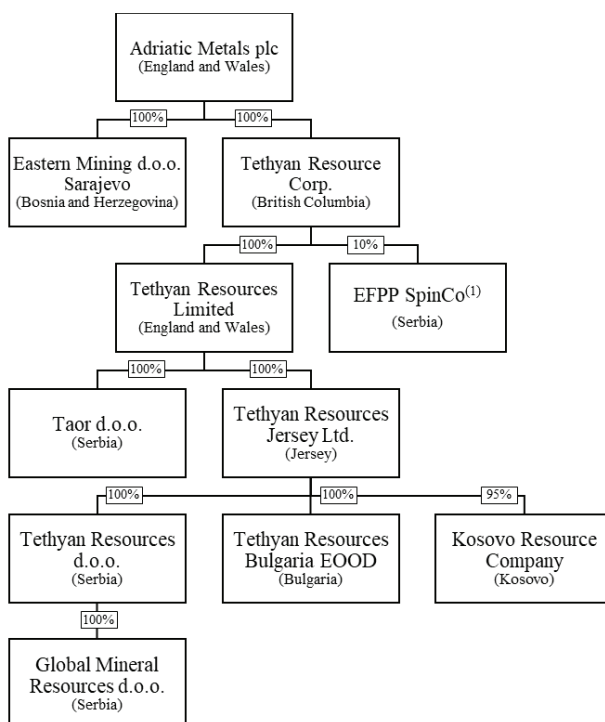
On completion of the Arrangement, the Combined Company will continue the current operations of Tethyan and Adriatic under the name "Adriatic Metals plc", and be governed by the Companies Act. After the Effective Time the Combined Company will own all of the outstanding Tethyan Shares and Tethyan will be a wholly-owned subsidiary of Adriatic.

The Combined Company's head office and registered office is expected to be located at Ground Floor, Regent House, 65 Rodney Road, Cheltenham, GL50 1HX, United Kingdom.

Inter-corporate Relationships

At the Effective Time, the Combined Company will directly own all of the issued and outstanding Tethyan Shares and the Combined Company will own and hold all of the property of Tethyan and all rights, contracts, permits and interests of Tethyan will be rights, contracts, permits and interests of the Combined Company.

The following diagram sets forth the corporate structure of the Combined Company following the completion of the Arrangement.



Note:

- (1) Tethyan currently holds a 10% interest in EFPP and has certain rights under the EFPP Acquisition Agreement to acquire the remaining 90% interest therein. The EFPP Spin-Off Transaction is a condition to the Arrangement. See “The Arrangement” in this Circular for further information.

Description of the Business of the Combined Company

On completion of the Arrangement, the Combined Company will carry on the business operated by Adriatic and Tethyan, and its efforts will be directed at exploration and development of base and precious metal projects in Bosnia and Serbia. See “*Description of Adriatic’s Business*” in Schedule “F” of this Circular for a discussion of Adriatic’s business. See Schedule “I” of this Circular and Tethyan’s corporate profile on SEDAR at www.sedar.com for information concerning Tethyan’s business.

The Combined Company’s portfolio of assets will include the following:

1. Vareš Project; and
2. Kizevak Project and Sastavci Project.

Information regarding the Vareš Project can be found in Schedule “F” of this Circular under the heading “*Vareš Project*” and under Tethyan’s corporate profile on SEDAR at www.sedar.com.

Information regarding the Kizevak Project and Sastavci Project can be found at Schedule “I” of this Circular, and under Tethyan’s corporate profile on SEDAR at www.sedar.com.

Description of Securities

The authorized share capital of the Combined Company will be the same as the currently authorized share capital of Adriatic and the rights associated with each ordinary share of the Combined Company will be the same as the rights associated with each Adriatic Share. See Schedule "F" of this Circular under the heading "*Description of Adriatic's Securities*".

Immediately upon completion of the Arrangement, it is anticipated that there will be approximately 193,098,886 Adriatic Shares issued and outstanding and 221,130,206 Adriatic Shares issued and outstanding, fully-diluted. For additional information see "*Capitalization*" in Schedule "F" of this Circular.

Upon completion of the Arrangement, the Tethyan Shares will be de-listed from trading on the TSXV and Adriatic will apply for Tethyan to cease to be a reporting issuer under Canadian Securities Laws. The Adriatic Shares being issued pursuant to the Arrangement will be listed on the LSE. The Adriatic Shares are also listed on the ASX. Upon completion of the Arrangement, Adriatic will become a reporting issuer under Canadian Securities Laws, and is expected to be a "designated foreign issuer". See "*Securities Laws and Stock Exchange Matters – Canadian Securities Laws*" in the body of this Circular.

Pro Forma Consolidated Capitalization

Please see "*Capitalization*" in Schedule "F" of this Circular for the *pro forma* consolidated capitalization of the Consolidated Company after giving effect to the Arrangement.

Dividends

There will be no restrictions in the Combined Company's articles or elsewhere, other than customary general solvency requirements, which would prevent the Combined Company from paying dividends following completion of the Arrangement. For information on Adriatic's dividend policy, see "*Description of Common Shares*" in Schedule "F" of this Circular.

Principal Securityholders

Please see "*Principal Securityholders*" in Schedule "F" of this Circular for information regarding the Adriatic Shareholders who will hold 10% or more of the voting rights attached to any class of voting securities after giving effect to the Arrangement.

Officers and Directors of the Combined Company

Following the completion of the Arrangement, it is expected that the board of the Combined Company will be the current Adriatic Board, which is comprised of the following directors: (i) Peter Bilbe (ii) Paul Cronin; (iii) Michael Rawlinson; (iv) Julian Barnes; and (v) Sandra Bates. See "*Directors and Executive Officers*" in Schedule "F" of this Circular for further information.

Following the completion of the Arrangement, Fabian Baker, a director and the President and Chief Executive Officer of Tethyan, will join the Combined Company as Corporate Development Manager, and it is expected that the current Adriatic management will continue as management of the Combined Company. The current Adriatic management is comprised of the following: (i) Paul Cronin, Chief Executive Officer and Managing Director; (ii) Graham Hill, Chief Operating Officer; (iii) Geoff Eyre, Chief Financial Officer and Joint Company Secretary; (iv) Phil Fox, Chief Geologist; (v) Gabriel Chiappini, Joint Company Secretary; and (vi) Adnan Teletovic, Project and Study Manager.

The table below provides the names, province or state of residence, position, principal occupations and the number of voting securities of the Combined Company that Fabian Baker beneficially owns, directly or indirectly, or exercises control over, as of the Record Date. Similar information respecting the Adriatic Board and executive officers (who will continue with Combined Company) can be found in "*Directors and Executive Officers*" in Schedule "F" of this Circular.

Name, Residence and Present Position within Combined Company	Director/Officer Since	Number of Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Direction is Exercised ⁽¹⁾	Principal Occupation ⁽²⁾
Fabian Baker <i>Corporate Development Manager</i> United Kingdom	Effective Date	40,359	Mr. Baker will be Corporate Development Manager for the Combined Company.

Notes:

- (1) This figure represents the number of Adriatic Shares to be held by such individual upon completion of the Arrangement.
- (2) The information as to principal occupation, business or employment and Adriatic Shares beneficially owned or controlled is not within the knowledge of management of the Combined Company and has been furnished by the respective director or officer named above. Unless otherwise stated above, any director or officer named above has held the principal occupation or employment indicated for at least the five preceding years.

Executive Compensation

Following the completion of the Arrangement, it is expected that the Combined Company will maintain the policies of Adriatic with respect to executive compensation. See “*Executive Compensation*” in Schedule “F” of this Circular.

See “*Interests of Directors and Officers in the Arrangement*” of this Circular for details of Fabian Baker’s compensation arrangement with the Combined Company.

Compensation of Directors

Following the completion of the Arrangement, it is expected that the Combined Company will maintain the policies of Adriatic with respect to director compensation. See “*Executive Compensation – Director Compensation*” in Schedule “F” of this Circular.

Audit Committee and Corporate Governance

Following the completion of the Arrangement, it is expected that the audit committee will be the current audit committee of Adriatic, and the Combined Company will maintain the corporate governance policies of Adriatic. See “*Audit Committee*” and “*Corporate Governance*” in Schedule “F” to this Circular.

Risk Factors

Following completion of the Arrangement, the risk factors applicable to the Combined Company will be the same as the risk factors currently applicable to Tethyan and Adriatic. See “*Risk Factors*” in this Circular and in Schedule “F” of this Circular, respectively.

Stock Exchange Listing

Following completion of the Arrangement, it is expected that the Adriatic Shares will continue to trade on the LSE under the symbol “ADT1” and on the ASX under the symbol “ADT”. Following completion of the Arrangement or as soon as practicable thereafter, it is also expected that the Tethyan Shares will be delisted from the TSXV.

Auditor

Following the completion of the Arrangement, it is expected that the auditor for the Combined Company will continue to be BDO LLP of 55 Baker Street, London W1U 7EU, United Kingdom. See “*Auditors, Transfer Agents and Registrars*” in Schedule “F” of this Circular.

Registrar and Transfer Agent

Following the completion of the Arrangement, it is expected that the transfer agent and registrar of the Combined Company will continue to be Computershare Investor Services plc, which is located at The Pavilions, Bridgwater Road, Bristol, BS13 8AE, United Kingdom. See “*Auditors, Transfer Agents and Registrars*” in Schedule "F" of this Circular.

Appendix "A" to Schedule "G"

***PRO FORMA* FINANCIAL STATEMENTS FOR THE COMBINED COMPANY**

(see attached)

Pro forma statement of financial position

As at December 31, 2019

Unaudited

(Expressed in £'000s)

	Adjustments					
	Adriatic	Tethyan	Note 3a	Note 3b	Note 3c	Pro forma Consolidated
	£	£	£	£	£	£
Assets						
Current assets						
Cash and cash equivalents	13,894	863	(200)			14,557
Receivables, deposits and prepayments	600	44				644
	14,494	907	(200)	-	-	15,201
Non-current assets						
Equipment	854	30				884
Right-of-use assets	264	149				413
Exploration and evaluation assets	5,615	1,595		2,363		9,573
Patents and licences	375					375
Intangible assets					7,278	7,278
Total assets	21,602	2,681	(200)	2,363	7,278	33,724
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities	489	123				612
Current portion of lease liabilities	21	88				109
	510	211	-	-	-	721
Non-current liabilities						
Lease liabilities	242	71				313
Total liabilities	752	282	-	-	-	1,034
Shareholders' equity (deficiency)						-
Share capital and share premium	26,168	40,489			(40,489) 12,040	38,208
Share-based payment reserve	3,333	5,422			(5,422)	3,333
Currency translation reserve	(190)	2,017			(2,017)	(190)
Own shares held reserve		(75)			75	-
Deficit	(8,461)	(45,454)	(200)	2,363	43,091	(8,661)
Total shareholders' equity (deficiency)	20,850	2,399	(200)	2,363	7,278	32,690
Total liabilities and shareholders' equity	21,602	2,681	(200)	2,363	7,278	33,724

Pro forma statement of consolidated statements of profit or loss and other comprehensive income
For the six months ended December 31, 2019

Unaudited

(Expressed in £'000s)

	Adriatic	Tethyan	Adjustments			Pro forma consolidated
	£	£	Note 4a	Note 4b	Note 4c	£
Expenses						
Consulting	668	(22)				646
Depreciation and amortisation	67	79				146
Director fees	98	-				98
Exploration and evaluation expenditure	-	785		(785)		-
Filing and regulatory	-	10			(10)	-
Foreign exchange (gain) loss	262	100				362
Office and administrative	-	351			(351)	-
Professional fees	-	119			(119)	-
Project investigation	-	38				38
Salaries	142	25				167
Share-based compensation	1,770	71				1,841
Travel	-	31			(31)	-
Other administration expenses	838				511	1,349
Transaction costs			200			200
Loss before other items	3,845	1,587	200	(785)	-	4,847
Other items						
Interest on lease liabilities	-	(12)			12	-
Financing costs of right of use of assets	2				11	13
Finance expense	2	23			(23)	2
Finance income	(25)					(25)
(Gain) / loss on change in fair value of derivative liability	-	(1,337)				(1,337)
	(21)	(1,326)			-	(1,347)
Net loss for the period	3,824	261	200	(785)	-	3,500
Other comprehensive loss						
Exchange difference on translation of foreign subsidiaries	265	-				265
Total comprehensive loss for the period	4,089	261	200	(785)	-	3,765

Pro forma statement of consolidated statements of profit or loss and other comprehensive income
For the year ended June 30, 2019
Unaudited
(Expressed in £'000s)

	Adriatic	Tethyan	Adjustments		Pro forma consolidated
	£	£	Note 4b	Note 4c	£
Expenses					
Consulting	592	88			680
Depreciation and amortisation	89	76			165
Director fees	172	-			172
Exploration and evaluation expenditure	-	1,578	(1,578)		-
Filing and regulatory	-	77		(77)	-
Foreign exchange (gain) loss	292	(85)			207
Office and administrative	-	648		(648)	-
Professional fees	-	319		(319)	-
Project investigation	-	-			-
Salaries	234	279			513
Share-based compensation	457	269			726
Travel	-	110		(110)	-
Other administration expenses	620			1,154	1,774
Loss before other items	2,456	3,359	(1,578)	-	4,237
Other items		-			
Interest on lease liabilities	-	12		(12)	-
Financing costs of right of use of assets	-			24	24
Finance expense	-	12		(12)	-
Finance income	(38)				(38)
(Gain) / loss on change in fair value of derivative liability	-	3,664			3,664
	(38)	3,688	-	-	3,650
Net loss for the year	2,418	7,047	(1,578)	-	7,887
Other comprehensive loss		-			
Exchange difference on translation of foreign subsidiaries	(43)	96			53
Total comprehensive loss for the year	2,375	7,143	(1,578)	-	7,940

Adriatic Metals PLC

Notes to Unaudited Pro Forma Consolidated Financial Statements

1. BASIS OF PREPARATION

The unaudited pro forma consolidated statement of financial position as at December 31, 2019 and the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended June 30, 2019 and the six months ended December 31, 2019 of Adriatic Metals PLC ("Adriatic") have been prepared to show the effects of a plan of arrangement (the "Arrangement") wherein Adriatic has agreed to acquire all of the issued and outstanding common shares of Tethyan Resources Corp. ("Tethyan").

The unaudited pro forma consolidated statement of financial position and the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of Adriatic have been compiled from information derived from:

- the unaudited consolidated statement of financial position of Adriatic as at December 31, 2019;
- the unaudited consolidated statements of profit or loss and other comprehensive income of Adriatic for the six months ended December 31, 2019;
- the audited consolidated statements of profit or loss and other comprehensive income of Adriatic for the year ended June 30, 2019;
- the audited consolidated statement of financial position of Tethyan as at December 31, 2019;
- the audited consolidated statements of loss and comprehensive loss of Tethyan for the year ended December 31, 2019;
- the unaudited consolidated statement of loss and comprehensive loss of Tethyan for the six months ended June 30, 2019; and
- the unaudited consolidated statement of loss and comprehensive loss of Tethyan for the six months ended June 30, 2018.

The unaudited pro forma consolidated financial statements do not include all of the disclosures required by International Financial Reporting Standards ("IFRS") and should be read in conjunction with Adriatic's audited consolidated financial statements for the year ended June 30, 2019 and its unaudited consolidated financial statements for the six months ended December 31, 2019 and the audited consolidated financial statements of Tethyan for the year ended December 31, 2019.

The unaudited pro forma consolidated financial information gives effect to the proposed merger of Adriatic and Tethyan as if it had occurred as at December 31, 2019, for the purposes of the unaudited pro forma consolidated statement of financial position and as at July 1, 2018 for the purposes of the unaudited pro forma consolidated statement of profit or loss and other comprehensive loss for the year ended June 30, 2019 and the six months ended December 31, 2019.

The accounting policies used in the preparation of the unaudited pro forma consolidated financial statements are consistent with those described in the consolidated financial statements of Adriatic for the year ended June 30, 2019. Certain historical Tethyan amounts have been reclassified to conform to Adriatic's presentation.

The unaudited pro forma consolidated financial statements are not necessarily indicative of the results of operations that would have occurred had the acquisition of Tethyan been effected on the dates indicated, nor are the unaudited pro forma consolidated financial statements indicative of future periods. Actual amounts recorded upon consummation of the proposed acquisition will differ from such unaudited pro forma consolidated financial statements. Since the pro forma consolidated financial statements have been developed to retroactively show the effect of a transaction that is expected to occur at a later date (even though this was accomplished by following generally accepted practice and using reasonable assumptions), there are limitations inherent in the very nature of such pro forma data.

2. DESCRIPTION OF TRANSACTION

On June 12, 2020, Adriatic and Tethyan entered into the definitive arrangement agreement (“Arrangement Agreement”) pursuant to which Adriatic has agreed to acquire all of the issued and outstanding Tethyan shares on the basis that each Tethyan shareholder will receive 0.166 of Adriatic for each common share of Tethyan (the “Exchange Ratio”) outstanding at the effective time of the Arrangement (the “Merger”).

All of Tethyan’s outstanding options (“Tethyan Options”) will be exchanged for an equivalent option granted by Adriatic (each, a “Replacement Option”) to purchase from Adriatic the number of ordinary shares (rounded down to the nearest whole share) equal to the Exchange Ratio (which is 0.166), multiplied by the number of Tethyan Shares subject to such Tethyan Option immediately before the Effective Time, at an exercise price per Adriatic Share (rounded up to the nearest whole penny), equal to (i) the exercise price per Tethyan Share otherwise purchasable pursuant to such Tethyan Option immediately prior to the Effective Time, divided by (ii) the Exchange Ratio (0.166).

All of Tethyan’s outstanding warrants (“Tethyan warrants”) will be exchanged for an equivalent option granted by Adriatic (each, a “Replacement Warrant”) to purchase from Adriatic the number of ordinary shares (rounded down to the nearest whole number) equal to the Exchange Ratio (0.166), multiplied by the number of Tethyan Shares subject to such Tethyan Warrant immediately prior to the Effective Time, at an exercise price per Adriatic Share (rounded up to the nearest whole penny), equal to (i) the exercise price per Tethyan Share otherwise purchasable pursuant to such Tethyan Warrant immediately prior to the Effective Time, divided by (ii) the Exchange Ratio (0.166).

The exercise prices of the Replacement Options and Replacement Warrants will be expressed, and payable, in Sterling, with such exercise prices converted, where necessary, from Canadian dollars to Sterling based upon the "Daily Spot Exchange Rate" for the Canadian dollar against Sterling published by the Bank of England on the Effective Date.

The Exchange Ratio represents an implied purchase price of A\$1.2160 per Adriatic share and a premium of 32% to Tethyan's share price based on the 3-month volume weighted average prices of Adriatic and Tethyan as at July 3, 2020.

On completion of the Merger, Tethyan shareholders will hold 6.87% of Adriatic’s issued capital and Tethyan will become a wholly owned subsidiary of Adriatic. Adriatic will remain listed on the LSE and ASX and Tethyan will be de-listed from the TSXV.

3. PRO FORMA CONDENSED CONSOLIDATED FINANCIAL POSITION ASSUMPTIONS AND ADJUSTMENTS

The unaudited pro forma consolidated statement of financial position of Adriatic as at December 31, 2019 has been adjusted to reflect the following transactions as if the acquisition of Tethyan had been completed on December 31, 2019.

The net assets acquired, and consideration paid for control of Adriatic is preliminarily allocated as follows:

	As at December 31, 2019 £'000s
Purchase price	10,527
Replacement warrants for Tethyan warrants	1,377
Replacement options for Tethyan options	136
Total consideration	12,040
Assets acquired:	
Cash and cash equivalents	863
Receivables, deposits and prepayments	44
Equipment	30
Right-of-use assets	149
Exploration and evaluation assets	3,958
Accounts payable and accrued liabilities	(123)
Current portion of lease liabilities	(88)
Lease liabilities	(71)
Total fair value of identifiable net assets	4,762
Intangible assets	7,278

Adjustments:

- (a) Estimated transaction costs including legal fees, financial advisory fees and share issue costs.
- (b) Adjustment to align with Adriatic's accounting policy in respect of Exploration and Evaluation costs.
- (c) On the closing of the transaction, the share capital, reserves and deficit of Tethyan are eliminated.

4. PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ASSUMPTIONS AND ADJUSTMENTS

The unaudited pro forma consolidated statements of profit or loss and other comprehensive income of Adriatic for the year ended June 30, 2018 and the 6 months ended December 31, 2019 have been adjusted to reflect the following transactions as if the acquisition of Tethyan had been completed on July 1, 2018

Adjustments:

- (a) Estimated transaction costs including legal fees, financial advisory fees and share issue costs.

- (b) Adjustment to align with Adriatic's accounting policy in respect of Exploration and Evaluation costs.
- (c) Adjustment to align with Adriatic's presentation.

5. PRO FORMA NET LOSS PER SHARE

Pro forma basic and diluted loss per share for the six months ended December 31, 2018 and the year ended June 30, 2019 have been calculated based on the weighted average number of Adriatic shares outstanding for the period and the number of shares issued under the Acquisition:

		Six months ended December 31, 2019	Year ended June 30, 2019
Weighted average during the period:			
Shares in issue	No.	158,405,362	135,206,343
Shares to be issued for acquisition	No.	13,257,899	13,257,899
		171,663,261	148,464,242
Options and performance rights outstanding	No.	19,045,328	19,500,000
Options to be issued for acquisition	No.	471,439	471,439
Warrants to be issued for acquisition	No.	4,149,881	4,149,881
		23,666,648	24,121,320
Pro forma loss after tax	£'000s	3,500	7,887
Pro forma loss per share			
Basic	pence	2.04	5.31
Diluted	pence	1.79	4.57

6. Translation of Tethyan

The financial statements of Tethyan for the year ended December 31, 2019 are report in Canadian Dollars ("CAD"). Below is a schedule that translates the consolidated statement of financial position of Tethyan as at December 31, 2019 from CAD to GBP at the December 31, 2019 exchange rate of 0.58387.

The consolidated statement of loss and comprehensive loss of Tethyan for the years ended December 31, 2019 and prior year comparative figures for December 31, 2018 report in CAD have also been translated from CAD to GBP using the exchange rate at the December 31, 2019 of 0.58387

Tethyan's consolidated statement of loss and comprehensive loss for the six months ended June 30, 2019 and six months ended June 30, 2018 were reported in GBP and translation is therefore not required for these periods to derive the statement of loss and comprehensive loss for the periods used in the pro forma financial statements.

Pro forma statement of financial position
As at December 31, 2019

	CAD'000	GBP'000
Assets		
Current assets		
Cash and cash equivalents	1,478	863
Receivables, deposits and prepayments	76	44
	<u>1,554</u>	<u>907</u>
Non-current assets		
Equipment	51	30
Right-of-use assets	255	149
Exploration and evaluation assets	2,732	1,595
Patents and licences		
Intangible assets		
Total assets	<u>4,592</u>	<u>2,681</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	211	123
Current portion of lease liabilities	150	88
	<u>361</u>	<u>211</u>
Non-current liabilities		
Lease liabilities	121	71
Total liabilities	<u>482</u>	<u>282</u>
Shareholders' equity (deficiency)		
Share capital	69,346	40,489
Share premium	-	-
Share-based payment reserve	9,286	5,422
Currency translation reserve	3,455	2,017
Own shares held reserve	(128)	(75)
		-
Deficit	(77,849)	(45,454)
Total shareholders' equity (deficiency)	<u>4,110</u>	<u>2,399</u>
Total liabilities and shareholders' equity	<u>4,592</u>	<u>2,681</u>

	(A)		(B)	(A) - (B)		(C)		(D)	(B) + (C) - (D)	
	Year ended December 31, 2019 CAD'000	Year ended December 31, 2019 GBP'000	Six months ended June 30, 2019 GBP'000	Six months ended December 31, 2019 GBP'000		Year ended December 31, 2018 CAD'000	Year ended December 31, 2018 GBP'000	Six months ended June 30, 2018 GBP'000	Year ended June 30, 2019 GBP'000	
Expenses										
Consulting	195	114	136	(22)		150	88	136	88	
Depreciation	265	155	76	79		5	3	3	76	
Director fees	-	-	-	-		7	4	4	-	
Exploration and evaluation expenditure	2,597	1,516	731	785		1,815	1,060	213	1,578	
Filing and regulatory	132	77	67	10		60	35	25	77	
Foreign exchange (gain) loss	7	4	(96)	100		(50)	(29)	(40)	(85)	
Office and administrative	1,353	790	439	351		657	384	175	648	
Professional fees	727	424	305	119		334	195	181	319	
Project investigation	65	38	-	38		-	-	-	-	
Salaries	433	253	228	25		296	173	122	279	
Share-based compensation	390	228	157	71		284	166	54	269	
Travel	177	103	72	31		144	84	46	110	
Loss before other items	6,341	3,702	2,115	1,587		3,702	2,163	919	3,359	
Other items										
Interest on lease liabilities			12	(12)					12	
Finance expense	40	23	-	23		31	18	6	12	
(Gain) / loss on change in fair value of derivative liability	4,250	2,481	3,818	(1,337)		(263)	(154)		3,664	
	4,290	2,504	3,830	(1,326)		(232)	(136)	6	3,688	
Net loss for the year	10,631	6,206	5,945	261		3,470	2,027	925	7,047	
Other comprehensive loss										
Exchange difference on translation of foreign subsidiaries	(27)	(16)	(16)	-		137	80	(32)	96	
Total comprehensive loss for the year	10,604	6,190	5,929	261		3,607	2,107	893	7,143	

Schedule "H"
FINANCIAL STATEMENTS OF ADRIATIC
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Unaudited interim condensed consolidated financial statements of Adriatic for the six-months ended December 31, 2019

Audited annual consolidated financial statements of Adriatic for the financial year ended June 30, 2019

Audited annual consolidated financial statements of Adriatic for the financial year ended June 30, 2018

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		6 Months Ended 31 December 2019 £	6 Months Ended 31 December 2018 £
	Note		
Administrative expenses	3	(3,582,837)	(717,663)
Operating Loss		<u>(3,582,837)</u>	<u>(717,663)</u>
Finance costs	4	(265,222)	(139,900)
Finance income		25,301	9,713
Loss before tax		<u>(3,822,758)</u>	<u>(847,850)</u>
Tax		-	-
Loss after tax		<u>(3,822,758)</u>	<u>(847,850)</u>
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods net of tax			
Foreign currency translation (loss)/income		(264,684)	26,572
Total comprehensive loss for the period		<u>(4,087,442)</u>	<u>(821,278)</u>

All the activities of the group are classified as continuing operations.

ADRIATIC METALS PLC
CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		31 December 2019 £	30 June 2019 £
NON-CURRENT ASSETS			
Intangible assets	5	5,989,161	3,971,210
Property, plant and equipment		854,259	721,128
Right of use of asset		263,720	-
		<u>7,107,140</u>	<u>4,692,338</u>
CURRENT ASSETS			
Trade and other receivables		600,340	361,724
Cash and cash equivalents	6	13,893,584	5,369,759
		<u>14,493,924</u>	<u>5,731,483</u>
TOTAL ASSETS		<u>21,601,064</u>	<u>10,423,821</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	8	2,374,732	2,013,701
Share premium	8	23,793,491	11,084,777
Other capital reserves		3,332,939	1,714,826
Other reserves		(190,442)	74,242
Accumulated loss		(8,461,415)	(4,638,657)
TOTAL EQUITY		<u>20,849,305</u>	<u>10,248,889</u>
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	7	241,607	-
CURRENT LIABILITIES			
Trade and other payables		489,494	174,932
Interest-bearing loans and borrowings	7	20,658	-
		<u>510,152</u>	<u>174,932</u>
TOTAL EQUITY AND LIABILITIES		<u>21,601,064</u>	<u>10,423,821</u>

The notes on pages 10 to 16 form part of these financial statements.

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

"Paul Cronin" (Signed)

Mr P Cronin
Director

Date: 10th March 2020

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share Capital £	Share Premium £	Other capital reserve £	Foreign currency translation reserve £	Accumulated loss £	Total £
As at 1 July 2018	1,733,042	5,515,049	1,282,365	31,367	(2,221,004)	6,340,819
Loss for the period	-	-	-	-	(847,850)	(847,850)
Issue of share capital	260,853	5,504,787	-	-	-	5,765,640
Other comprehensive income	-	-	-	26,572	-	26,572
As at 31 December 2018	<u>1,993,895</u>	<u>11,019,836</u>	<u>1,282,365</u>	<u>57,939</u>	<u>(3,068,854)</u>	<u>11,285,181</u>
As at 1 July 2019	2,013,701	11,084,777	1,714,826	74,242	(4,638,657)	10,248,889
Loss for the period	-	-	-	-	(3,822,758)	(3,822,758)
Issue of share capital	334,989	12,173,302	-	-	-	12,508,291
Exercise of Options	26,042	535,412	(151,634)	-	-	409,820
Issue of options	-	-	1,769,747	-	-	1,769,747
Other comprehensive loss	-	-	-	(264,684)	-	(264,684)
As at 31 December 2019	<u>2,374,732</u>	<u>23,793,491</u>	<u>3,332,939</u>	<u>(190,442)</u>	<u>(8,461,415)</u>	<u>20,849,305</u>

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	6 Months Ended 31 December 2019 £	6 Months Ended 31 December 2018 £
Loss for the period	(3,822,758)	(847,850)
Unrealized foreign exchange loss	202,643	18,244
Depreciation and amortisation	67,045	7,189
Share based payments expense	1,769,747	-
Increase in trade and other receivables	(242,549)	(176,790)
Increase in trade payables and other payables	318,494	49,081
Net cash used in operating activities	(1,707,378)	(950,126)
Cash flows from investing activities		
Purchase of property, plant and equipment	(147,243)	(1,698,551)
Purchase of intangible assets	(2,351,157)	-
Net cash flows used in investing activities	(2,498,400)	(1,698,551)
Cash flows from financing activities		
Proceeds from issue of shares	12,918,111	5,765,640
Repayment of finance leases	(3,347)	-
Net cash flows generated from financing activities	12,914,764	5,765,640
Net increase in cash and cash equivalents	8,708,986	3,116,963
Cash and cash equivalents at beginning of period	5,369,759	4,644,389
Effect of foreign exchange rate changes	(185,161)	-
Cash and cash equivalents at end of period	13,893,584	7,761,352

ADRIATIC METALS PLC
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

1. CORPORATE INFORMATION

The consolidated interim financial statements present the financial information of Adriatic Metals PLC and its wholly owned subsidiary Eastern Mining d.o.o. (collectively, the Group) for the six months period ended 31 December 2019. Adriatic Metals PLC (the Company or the Parent) is a public limited company incorporated in England & Wales. The registered office is located at Ground Floor, Regent House, 65 Rodney Road, Cheltenham, GL50 1HX.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated interim 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").

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

A comprehensive summary of the principal accounting policies adopted by the Group is presented in the statutory financial statements for the year ended 30 June 2019. A number of the significant accounting policies have been repeated below due to their importance in relation to the interim financial statements.

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

Going concern

The Group incurred a loss of £3,822,758 (31 December 2018: £847,850) in the Period however the Group also had a net asset position at the balance sheet date.

The financial statements have been prepared on the going concern basis as the directors have considered the future plans for the company and expect it to operate without any financial constraints for the next twelve months.

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.

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.

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.

2. ACCOUNTING POLICIES (*continued*)

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.

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.

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.

ADRIATIC METALS PLC
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (*continued*)

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 & Licences – 5%

Leases

The Group has applied IFRS 16 for the first time in this period. There have been no adjustments to prior periods as a result of the application of this standard.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets:

- Land and buildings 10 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

ii) Lease liabilities

ADRIATIC METALS PLC
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (*continued*)

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings.

3. ADMINISTRATIVE EXPENSES

	6 Months Ended 31 December 2019 £	6 Months Ended 31 December 2018 £
Wages and salaries	142,051	144,457
Share based payments	1,769,747	-
Consultancy fees	667,869	298,676
Depreciation	67,045	3,836
Other	936,125	270,694
	<u>3,582,837</u>	<u>717,663</u>

Administration expenses include the following transactions with key management personnel:

	6 Months Ended 31 December 2019 £	6 Months Ended 31 December 2018 £
Consultancy fees	384,481	160,187
Directors fees	97,507	85,635
Share based payments	1,736,177	-
Other fees	29,456	26,058
Corporate office facilities and services	27,369	30,000
	<u>2,274,990</u>	<u>301,880</u>

ADRIATIC METALS PLC
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

4. FINANCE COSTS

	6 Months Ended 31 December 2019 £	6 Months Ended 31 December 2018 £
Foreign exchange loss	261,981	139,900
Financing costs of right of use of assets	1,718	-
Other	1,523	-
	<u>265,222</u>	<u>139,900</u>

5. INTANGIBLE ASSETS

	31 December 2019 £	30 June 2019 £
Cost		
Exploration and evaluation assets	5,614,578	3,529,669
Patents and licences	510,411	526,328
	<u>6,124,989</u>	<u>4,055,997</u>
Amortisation and impairment		
Exploration and evaluation assets	-	-
Patents and licences	135,828	84,787
	<u>135,828</u>	<u>84,787</u>
Net Book Value	<u>5,989,161</u>	<u>3,971,210</u>

6. CASH AND CASH EQUIVALENTS

	31 December 2019 £	30 June 2019 £
Cash at bank	13,893,133	5,366,266
Petty cash	451	3,493
	<u>13,893,584</u>	<u>5,369,759</u>
Cash and cash equivalents were held in the following denominations:		
AUD	13,436,559	4,972,375
EUR	347,283	57,077
GBP	42,816	67,819
BAM	39,926	272,488
	<u>13,893,584</u>	<u>5,369,759</u>

ADRIATIC METALS PLC
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

7. INTEREST-BEARING LOANS AND BORROWINGS

	31 December 2019 £	30 June 2019 £
Due within one year:		
Lease liability	20,658	-
Due after more than one year:		
Lease liability	241,607	-

8. SHARE CAPITAL

	31 December 2019 £	30 June 2019 £
Issued capital and share premium		
Ordinary shares fully paid up	26,168,223	13,098,478

	6 Months Ended 31 December 2019 £	Year Ended 30 June 2019 £
Movement in ordinary shares		
At the beginning of the reporting period	13,098,478	7,248,091
Shares issued during the period	13,352,816	6,227,706
Transaction costs on shares issue	(862,650)	(466,792)
Share options exercised	579,579	89,473
At reporting date	26,168,223	13,098,478

		6 Months Ended 31 December 2019 Number	Year Ended 30 June 2019 Number
Movement in number of ordinary shares in issue			
Shares at the start of reporting period		150,782,587	130,795,596
Institutional Placement:			
20 November 2018	A\$0.55	-	19,686,991
Exercise of Options:			
1 April 2019	A\$0.40		300,000
9 August 2019	A\$0.40	500,000	-
25 October 2019	A\$0.40	1,250,000	-
2 December 2019	A\$0.40	100,000	-
19 December 2019	A\$0.40	100,000	-
Exercise of Anti-dilution Rights:			
25 September 2019	A\$0.933	83,400	-
Institutional Placement:			
Tranche 1 - 6 November 2019	A\$1.00	10,878,508	-
Tranche 2 - 14 November 2019	A\$1.00	9,121,492	-
Tranche 3 - 21 November 2019	A\$1.00	5,000,000	-
Shares at end of reporting period		177,815,987	150,782,587

ADRIATIC METALS PLC
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

9. SHARE OPTIONS

At 31 December 2019 the Company had 22,935,000 options, including 2,060,000 in the form of performance rights, outstanding for the issue of ordinary shares (30 June 2019: 18,825,000)

		6 Months Ended 31 December 2019 Number	Year Ended 30 June 2019 Number
	Exercise Price A\$		
Options outstanding at the start of reporting period		18,825,000	19,500,000
Options granted			
	A\$1.00	1,000,000	
	A\$1.25	3,000,000	
	A\$0.01	2,060,000	
Lapsed			(375,000)
Options exercised		(1,950,000)	(300,000)
Options outstanding at end of reporting period		<u>22,935,000</u>	<u>18,825,000</u>

10. RELATED PARTIES

Transactions between the Company and its subsidiary, which are related parties, have been eliminated on consolidation. The Group has therefore elected not to disclose transactions between the Company and its subsidiary, as permitted by IAS 24.

The Company had the following transactions with Swellcap Limited, a company controlled by Paul Cronin.

	6 Months Ended 31 December 2019 £	6 Months Ended 31 December 2018 £
Consultancy fees	113,999	18,942
Other fees	29,456	26,058
Corporate office facilities and services	27,369	30,000
	<u>170,824</u>	<u>75,000</u>
	31 December 2019 £	30 June 2018 £
Trade payables	<u>-</u>	<u>6,000</u>

The Company has no overall controlling party.

11. SUBSEQUENT EVENTS

There were no material events subsequent to the end of the reporting period.

YEAR ENDED 30 JUNE 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

	NOTE	YEAR ENDED 30 JUN 2019 £	YEAR ENDED 30 JUN 2018 £
Administrative expenses	5	(2,163,209)	(2,170,921)
OPERATING LOSS		(2,163,209)	(2,170,921)
Finance costs	8	(254,444)	(242,224)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS		(2,417,653)	(1,928,697)
Tax	9	-	-
LOSS FROM CONTINUING OPERATIONS		(2,417,653)	(1,928,697)
Other comprehensive income	10	42,875	5,965
TOTAL COMPREHENSIVE INCOME		(2,374,778)	(1,922,732)
Earnings per share expressed in pence per share:	16		
Basic		(1.69)	(2.27)
Diluted		(1.49)	(2.10)

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 24 to 47 form part of these financial statements.

AS AT 30 JUNE 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	30 JUN 2019 £	30 JUN 2018 £
NON-CURRENT ASSETS			
Intangible assets	12	3,971,210	1,034,235
Tangible assets	11	721,128	626,308
		4,692,338	1,660,543
CURRENT ASSETS			
Trade and other receivables	13	361,724	147,711
Cash and cash equivalents	14	5,369,759	4,644,389
		5,731,483	4,792,100
TOTAL ASSETS		10,423,821	6,452,643
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	16	2,013,701	1,733,042
Share premium		11,084,777	5,515,049
Other capital reserves	18	1,714,826	1,282,365
Other reserves	18	74,242	31,367
Retained deficit	18	(4,638,657)	(2,221,004)
TOTAL EQUITY		10,248,889	6,340,819
CURRENT LIABILITIES			
Trade and other payables	15	174,932	111,824
TOTAL EQUITY AND LIABILITIES		10,423,821	6,452,643

The notes on pages 24 to 47 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: 25 September 2019

Company Registration Number: 10599833

AS AT 30 JUNE 2019

COMPANY STATEMENT OF FINANCIAL POSITION

	NOTE	30 JUN 2019 £	30 JUN 2018 £
NON-CURRENT ASSETS			
Investments	4	4,888,901	1,517,405
Intangible assets	12	734,414	345,761
Tangible assets	11	22,486	26,454
		5,645,801	1,889,620
CURRENT ASSETS			
Trade and other receivables	13	97,246	110,494
Cash and cash equivalents	14	5,100,764	4,572,426
		5,198,010	4,682,920
TOTAL ASSETS		10,843,811	6,572,540
Equity			
Share capital	16	2,013,701	1,733,042
Share premium		11,084,777	5,515,049
Other capital reserves	18	1,714,826	1,282,365
Retained earnings	18	(4,072,190)	(2,023,689)
TOTAL EQUITY		10,741,114	6,506,767
CURRENT LIABILITIES			
Trade and other payables	15	102,697	65,773
TOTAL EQUITY AND LIABILITIES		10,843,811	6,572,540

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



Mr P Cronin
DIRECTOR

Date: 25 September 2019

Company Registration Number: 10599833

The notes on pages 24 to 47 form part of these financial statements.

YEAR ENDED 30 JUNE 2019

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

GROUP	SHARE CAPITAL	SHARE PREMIUM	OTHER CAPITAL RESERVE	RETAINED EARNINGS	OTHER RESERVES (FOREIGN CURRENCY TRANSLATION RESERVES)	TOTAL
	£	£	£	£	£	£
As at 1 July 2017	856,323	406,183	-	(292,307)	25,402	995,601
Loss for the period	-	-	-	(1,928,697)	-	(1,928,697)
Issue of share capital	876,719	5,108,866	-	-	-	5,985,585
Issue of options	-	-	1,282,365	-	-	1,282,365
Other comprehensive income	-	-	-	-	5,965	5,965
As at 30 June 2018	1,733,042	5,515,049	1,282,365	(2,221,004)	31,367	6,340,819
Loss for the period	-	-	-	(2,417,653)	-	(2,417,653)
Issue of share capital	276,684	5,484,230	-	-	-	5,760,914
Exercise of options	3,975	85,498	(24,156)	-	-	65,317
Issue of options	-	-	456,617	-	-	456,617
Other comprehensive income	-	-	-	-	42,875	42,875
As at 30 June 2019	2,013,701	11,084,777	1,714,826	(4,638,657)	74,242	10,248,889

COMPANY	SHARE CAPITAL	SHARE PREMIUM	OTHER CAPITAL RESERVE	RETAINED EARNINGS	OTHER RESERVES (FOREIGN CURRENCY TRANSLATION RESERVES)	TOTAL
	£	£	£	£	£	£
As at 1 July 2017	856,323	406,183	-	7,982	-	1,270,488
Loss for the period	-	-	-	(2,031,671)	-	(2,031,671)
Issue of share capital	876,719	5,108,866	-	-	-	5,985,585
Issue of options	-	-	1,282,365	-	-	1,282,365
Other comprehensive income	-	-	-	-	-	-
As at 30 June 2018	1,733,042	5,515,049	1,282,365	(2,023,689)	-	6,506,767
Loss for the period	-	-	-	(2,048,501)	-	(2,048,501)
Issue of share capital	276,684	5,484,230	-	-	-	5,760,914
Exercise of options	3,975	85,498	(24,156)	-	-	65,317
Issue of options	-	-	456,617	-	-	456,617
Other comprehensive income	-	-	-	-	-	-
As at 30 June 2019	2,013,701	11,084,777	1,714,826	(4,072,190)	-	10,741,114

YEAR ENDED 30 JUNE 2019

CONSOLIDATED STATEMENT OF CASH FLOWS

	2019 £	2018 £
Loss	(2,417,653)	(1,928,697)
Foreign exchange difference on consolidation	42,875	5,965
Depreciation and amortisation	88,674	8,910
Share based payments	432,461	1,161,408
Other non-cash movements	-	(4,885)
Working capital adjustments:		
Increase in trade and other receivables	(214,013)	(130,023)
Decrease in inventories	-	22
Increase/(Decrease) in trade and other payables	63,108	(89,548)
Net cash flows used in operating activities	(2,004,548)	(976,848)
Investing activities		
Purchase of property, plant and equipment	(105,998)	(40,296)
Purchase of intangible assets	(3,014,471)	(756,479)
Net cash flows used in investing activities	(3,120,469)	(796,775)
Financing activities		
Issue of share capital (net of fees)	5,850,387	6,106,542
Net cash flows generated from financing activities	5,850,387	6,106,542
Net increase in cash and cash equivalents	725,370	4,332,919
Cash and cash equivalents at 30 June 2018	4,644,389	311,470
Cash and cash equivalents at 30 June 2019	5,369,759	4,644,389

The notes on pages 24 to 47 form part of these financial statements.

YEAR ENDED 30 JUNE 2019

COMPANY STATEMENT OF CASH FLOWS

	2019 £	2018 £
(Loss)/profit	(2,048,501)	(2,031,671)
Depreciation and amortisation	3,968	-
Share based payments	432,461	1,161,408
Working capital adjustments:		
Decrease/(increase) in trade and other receivables	13,248	164,506
Increase/(Decrease) in trade and other payables	36,924	(122,886)
Net cash flows used in operating activities	(1,561,900)	(828,643)
Investing activities		
Purchase of property, plant and equipment	-	(26,094)
Purchase of intangible assets	(388,653)	(272,349)
Investment in subsidiary undertaking	(3,371,496)	(633,860)
Net cash flows used in investing activities	(3,760,149)	(932,303)
Financing activities		
Issue of share capital	5,850,387	6,106,542
Net cash flows generated from financing activities	5,850,387	6,106,542
Net increase in cash and cash equivalents	528,338	4,345,596
Cash and cash equivalents at 30 June 2018	4,572,426	226,830
Cash and cash equivalents at 30 June 2019	5,100,764	4,572,426

The notes on pages 24 to 47 form part of these financial statements

YEAR ENDED 30 JUNE 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The consolidated financial statements present the financial information of Adriatic Metals Plc and its subsidiary (collectively, the Group) for the year ended 30 June 2019. Adriatic Metals Plc (the Company or the parent) is a public company limited by shares and incorporated in England & Wales. The registered office is located at Second Floor, Stamford House, Regent Street, Cheltenham, United Kingdom, GL50 1HN.

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 ("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 £2,417,653 (2018 - £1,928,697) in the year 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.

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.

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. SIGNIFICANT 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.

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.

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.

YEAR ENDED 30 JUNE 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAXES (CONTINUED)

Deferred tax (CONTINUED)

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

Exploration and evaluation expenditure (CONTINUED)

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.

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

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.

YEAR ENDED 30 JUNE 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 & Licences – 20%

FINANCIAL INSTRUMENTS

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI “FVTOCI”, or through profit or loss “FVTPL”); and
- Those to be measured at amortised cost.

The classification depends on the Company’s business model for managing the financial assets and the contractual terms of the cash flows.

On initial recognition, a financial asset is classified as measured: at amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured at amortised cost using effective interest method. The amortised cost is reduced by impairment losses if any.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

All other financial assets that are not classified as measured at amortised cost or FVOCI are measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For trade and contract receivables, the Company has applied simplified approach permitted by IFRS 9. Simplified approach is applied to a portfolio of trade receivables that are homogenous in nature and carry similar credit risk. However, simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

FINANCIAL INSTRUMENTS *(CONTINUED)*

Receivables are written off when they are deemed uncollectible because of bankruptcy or other forms of receivership of the debtors. The assessment of expected credit losses on receivables takes into account credit-risk concentration, collective debt risk based on average historical losses, specific circumstances such as serious adverse economic conditions in a specific country or region and other forward-looking information.

FINANCIAL LIABILITIES

The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics.

Financial liabilities are measured at cost and have not been amortised. These includes trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at cost.

A financial liability (in whole or in part) is derecognised when the company has extinguished its contractual obligations or is cancelled. Any gain or loss on derecognition is taken to the statement of comprehensive income.

TRADE RECEIVABLES

Trade receivables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in statement of comprehensive income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

TRADE AND OTHER PAYABLES

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

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.

SHARE-BASED PAYMENTS

Employees and consultants (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby services are rendered as consideration for equity instruments (equity-settled transactions).

EQUITY-SETTLED TRANSACTIONS

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 17.

That cost is recognised in employee benefits expense (Note 5), together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

YEAR ENDED 30 JUNE 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EQUITY-SETTLED TRANSACTIONS (CONTINUED)

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 16).

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.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued and not yet effective for the Group's financial statements for the period ended 30 June 2019 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.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

- a) IFRS 15, 'Revenue from Contracts with Customers' issued in May 2014 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation

The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates.

The Company adopted IFRS 15 using the full retrospective method. The effect of initially applying this standard did not have any material impact on the Company's financial statements as of 31 December 2018 and 31 December 2017 as a result of the changes in accounting policies as detailed below).

- b) IFRS 9, 'Financial Instruments' outlines the recognition, measurement and derecognition of financial assets and financial liabilities, the impairment of financial assets and hedge accounting. Financial assets are to be measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income, with an irrevocable option on initial recognition to recognise some equity financial assets at fair value through other comprehensive income. The impairment model in IFRS 9 moves to one that is based on expected credit losses rather than the IAS 39 incurred loss model. The derecognition principles of IAS 39, 'Financial Instrument: Recognition and Measurement' have been transferred to IFRS 9. The hedge accounting requirements have been liberalised from that allowed previously. The requirements are based on whether an economic hedge is in existence, with less restriction to prove whether a relationship will be effective than current requirements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

The Company adopted IFRS 9 retrospectively, with the initial application date of 1 January 2018 and adjusting the comparative information for the period beginning 1 January 2017 for any effects in adoption of IFRS 9. The key changes to the Company's accounting policies resulting from the adoption of IFRS 9 as detailed in below) did not result to any restatement of the Company's comparative figures as of 31 December 2017 and did not have any material effect on the Company's financial statements as of 31 December 2018.

The management believes that the adoption of the above and other amendments effective for the current accounting period has not had any material impact on the recognition, measurement and presentation in the financial statements.

Standard that is not yet effective and has not been adopted early by the Company

The following standard that is applicable to the Company has been published and is mandatory for accounting periods of the Company beginning after 1 January 2018, but which has not been adopted early by the Company:

- IFRS 16, 'Leases' is effective for annual periods beginning on or after 1 January 2019. The scope of IFRS 16 includes leases of all assets, with certain exceptions. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting is substantially unchanged from accounting under IAS 17. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective transition approach. The standard's transition provisions permit certain reliefs. Early application is permitted, but not before an entity applies IFRS 15.

The management has started an initial assessment of the potential impact of the above standard on its financial statements. The most significant impact identified is that the Company will recognise new assets and liabilities for its operating leases of office space.

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.

YEAR ENDED 30 JUNE 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Exploration and evaluation expenditure (CONTINUED)

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.

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

	INVESTMENT IN SUBSIDIARY £
Additions	1,517,405
At 30 June 2018	1,517,405
Additions	3,371,496
At 30 June 2019	4,888,901
NET BOOK VALUE	
At 30 June 2019	4,888,901
At 30 June 2018	1,517,405

The consolidated financial statements of the Group include:

NAME	PRINCIPAL ACTIVITIES	ADDRESS OF REGISTERED OFFICE	% EQUITY INTEREST	
			2019	2018
Eastern Mining d.o.o	Mining exploration	Marsala Tita 3/II, 1000 Sarajevo, Bosnia and Herzegovina	100	100

5. ADMINISTRATIVE EXPENSES

	NOTE	2019 £	2018 £
Wages and salaries		233,896	173,850
Employee benefit expense – share options	17	456,616	1,121,275
Consultancy fees		591,651	531,954
Depreciation	11	11,646	4,632
Amortisation	12	77,496	5,321
Other costs		791,904	210,883
IPO Costs		-	123,006
		2,163,209	2,170,921

6. EMPLOYEES

The average monthly number of employees during the year was as follows:

	2019	2018
Eastern Mining d.o.o.		
Administrative staff - Eastern Mining	5	4
Exploration staff - Eastern Mining	16	10
	21	14

	2019	2018
Adriatic Metals Plc		
Directors	5	3
Administrative and Management	4	2
	9	5

7. AUDITORS REMUNERATION

	2019 £	2018 £
Auditor's remuneration – fees payable to the Group's auditor for the audit of the group's annual accounts.	25,000	12,500
Auditor's remuneration – fees payable to the auditor for the audit of accounts of subsidiaries of the company	3,605	3,625
	28,605	16,125

YEAR ENDED 30 JUNE 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. FINANCE COSTS

	2019 £	2018 £
Foreign currency movements	(291,949)	(242,224)
Interest receivable	37,505	-
	(254,444)	(242,224)

9. INCOME TAX

No liability to corporation tax arose on ordinary activities for the year ended 30 June 2019 or 30 June 2018.

RECONCILIATION OF TOTAL TAX CHARGE INCLUDED IN PROFIT AND LOSS

	2019 £	2018 £
Loss before tax	(2,417,653)	(1,928,697)
Loss multiplied by the standard rate of corporation tax in the UK 19%	(459,354)	(366,452)
Effects of: Losses carried forward	459,354	366,452
Total tax charge	-	-

FACTORS THAT MAY AFFECT FUTURE CURRENT AND TOTAL TAX CHARGES

A deferred tax asset of £78,100 (2018 - £70,000) at the year end has not been recognised due to uncertainty surrounding the Group's future taxable profits.

The UK corporation tax rate will be reduced to 17%, effective 1 April 2020. The effects of this change has been reflected in the financial statements.

10. OTHER COMPREHENSIVE INCOME

	2019 £	2018 £
Foreign exchange differences on consolidation	42,875	5,965

11. TANGIBLE ASSETS

GROUP

	LAND & BUILDINGS £	PLANT & EQUIPMENT £	ASSETS UNDER CONSTRUCTION £	TOTAL £
COST				
At 1 July 2017	562,362	19,055	4,693	586,110
Additions	-	40,205	91	40,296
Disposals	-	-	-	-
Foreign exchange differences	3,758	125	32	3,915
At 30 June 2018	566,120	59,385	4,816	630,321
Additions	58,663	41,140	-	99,803
Disposals	-	4,816	(4,816)	-
Foreign exchange differences	6,195	-	-	6,195
At 30 June 2019	630,978	105,341	-	736,319
DEPRECIATION				
At 1 July 2017	-	424	-	424
Charge for the year	-	3,589	-	3,589
At 30 June 2018	-	4,013	-	4,013
Charge for the year	-	11,178	-	11,178
On disposals	-	-	-	-
At 30 June 2019	-	15,191	-	15,191
NET BOOK VALUE				
At 30 June 2019	630,978	90,150	-	721,128
At 30 June 2018	566,120	55,372	4,816	626,308

YEAR ENDED 30 JUNE 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. TANGIBLE ASSETS (CONTINUED)

COMPANY

	LAND & BUILDINGS £	PLANT & EQUIPMENT £	ASSETS UNDER CONSTRUCTION £	TOTAL £
COST				
At 1 July 2017	-	360	-	360
Additions	-	26,094	-	26,094
Disposals	-	-	-	-
At 30 June 2018	-	26,454	-	26,454
Additions	-	-	-	-
Disposals	-	-	-	-
At 30 June 2019	-	26,454	-	26,454
DEPRECIATION				
At 1 July 2017	-	-	-	-
Charge for the year	-	-	-	-
At 30 June 2018	-	-	-	-
Charge for the year	-	3,968	-	3,968
On disposals	-	-	-	-
At 30 June 2019	-	3,968	-	3,968
NET BOOK VALUE				
At 30 June 2019	-	22,486	-	22,486
At 30 June 2018	-	26,454	-	26,454

12. INTANGIBLE ASSETS

GROUP

	EXPLORATION & EVALUATION ASSETS £	PATENTS AND LICENCES £	TOTAL £
COST			
At 1 July 2017	172,337	111,740	284,077
Additions	756,479	-	756,479
Disposals	-	-	-
Foreign exchange differences	444	526	970
At 30 June 2018	929,260	112,266	1,041,526
Additions	2,600,409	414,062	3,014,471
Disposals	-	-	-
Foreign exchange differences	-	-	-
At 30 June 2019	3,529,669	526,328	4,055,997
AMORTISATION AND IMPAIRMENT			
At 1 July 2017	-	1,970	1,970
Charge for the year	-	5,321	5,321
At 30 June 2018	-	7,291	7,291
Charge for the year	-	77,496	77,496
On disposals	-	-	-
At 30 June 2019	-	84,787	84,787
NET BOOK VALUE			
At 30 June 2019	3,529,669	441,541	3,971,210
At 30 June 2018	929,260	104,975	1,034,235

YEAR ENDED 30 JUNE 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. INTANGIBLE ASSETS (CONTINUED)

COMPANY

	EXPLORATION & EVALUATION ASSETS £	PATENTS AND LICENCES £	TOTAL £
COST			
At 1 July 2017	73,412	-	73,412
Additions	272,349	-	272,349
Disposals	-	-	-
Foreign exchange differences	-	-	-
At 30 June 2018	345,761	-	345,761
Additions	388,653	-	388,653
Disposals	-	-	-
At 30 June 2019	734,414	-	734,414
AMORTISATION AND IMPAIRMENT			
At 1 July 2017	-	-	-
Charge for the year	-	-	-
At 30 June 2018	-	-	-
Charge for the year	-	-	-
At 30 June 2019	-	-	-
NET BOOK VALUE			
At 30 June 2019	734,414	-	734,414
At 30 June 2018	345,761	-	345,761

13. TRADE AND OTHER CURRENT RECEIVABLES

	GROUP		COMPANY	
	2019 £	2018 £	2019 £	2018 £
VAT	287,514	128,583	78,482	91,730
Other receivables	74,210	19,128	18,764	18,764
	361,724	147,711	97,246	110,494

14. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2019 £	2018 £	2019 £	2018 £
Cash at bank	5,366,266	4,640,896	5,097,271	4,568,933
Petty cash	3,493	3,493	3,493	3,493
	5,369,759	4,644,389	5,100,764	4,572,426

15. TRADE AND OTHER CURRENT PAYABLES

	GROUP		COMPANY	
	2019 £	2018 £	2019 £	2018 £
Trade payables	105,886	46,258	77,760	14,258
Accruals	26,423	51,515	24,937	51,515
Taxes payable	2,546	4,485	-	-
Other payables	40,077	9,566	-	-
	174,932	111,824	102,697	65,773

16. SHARE CAPITAL

GROUP AND COMPANY	30 JUN 2019 £	30 JUN 2018 £
Issued and fully paid		
Shares issued	2,013,701	1,733,042

In October 2017, the company issued 3,641,863 shares with a par value of £0.05342

On January 30, 2018 the company performed a share split on a 1:4 basis from the 19,798,899 shares issued to 79,195,596 shares in preparation for a listing on the Australian Stock Exchange ("ASX").

On February 2, 2018 the company issued 1,000,000 shares in lieu of a capital raising fee and issued on the ASX with a listing price of A\$0.20c

YEAR ENDED 30 JUNE 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. SHARE CAPITAL (CONTINUED)

On April 27, 2018 the company listed on the ASX and, upon listing, awarded the following shares and options:

SHARE SUMMARY

	NO. OF SHARES
Total shares at IPO	80,195,596
Shares issued for fees	600,000
CDIs issued on listing	50,000,000
Total Shares	130,795,596

On November 20, 2018 the company made an institutional placement of CDI's on the ASX as follows:

	NO. OF SHARES
Total shares at placement	130,795,596
CDI's issued at placement at 55c AUD share price	19,686,991
Total Shares	150,482,587

From April 11, 2019 to May 1, 2019 options were exercised for shares:

	NO. OF SHARES
Total shares on issue before option exercise	150,482,587
CDI's issued on exercise	300,000
Total Shares at June 30, 2019	150,782,587

OPTIONS – SEE NOTE 17

Founder options at A\$0.20	9,000,000
Advisor options at A\$0.40	2,000,000
Executive options (various)	7,825,000
Total Options	18,825,000
Fully diluted Share Capital	169,607,587

16. SHARE CAPITAL (CONTINUED)

EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

Reconciliations are set out below.

2019	EARNINGS	WEIGHTED AVERAGE NUMBER OF SHARES	PER-SHARE AMOUNT
	£		PENCE
Basic EPS			
Earnings attributable to ordinary shareholders	(2,417,653)	142,826,588	(1.69)
Effect of dilutive securities	-	19,693,014	-
Diluted EPS			
Adjusted earnings	(2,417,653)	162,519,601	(1.44)
2018	EARNINGS	WEIGHTED AVERAGE NUMBER OF SHARES	PER-SHARE AMOUNT
	£		PENCE
Basic EPS			
Earnings attributable to ordinary shareholders	(1,928,697)	84,960,236	(2.27)
Effect of dilutive securities	-	6,678,082	-
Diluted EPS			
Adjusted earnings	(1,928,697)	91,638,318	(2.10)

The weighted average number of shares has been calculated as if the share split occurred at the start date of the comparative period presented so that the earning per share figure is comparable.

YEAR ENDED 30 JUNE 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. SHARE OPTION SCHEME

During 2018, the Company issued a number of share options, and the details of these are as follows:

EXECUTIVE OPTIONS	30c EXECUTIVE OPTIONS	40c EXECUTIVE OPTIONS	60c EXECUTIVE OPTIONS
Underlying share price (A\$)	0.200	0.200	0.200
Exercise price (A\$)	0.300	0.400	0.600
Valuation date	20 Feb 2018	20 Feb 2018	20 Feb 2018
Expiry date	1 Jul 2021	1 Jul 2021	1 Jul 2021
Life of the options (years)	3.36	3.36	3.36
Volatility	135%	135%	135%
Risk free rate	2.01%	2.01%	2.01%
Number of options	2,500,000	5,250,000	750,000
Value per option (A\$)	0.150	0.143	0.132
Value per Tranche (A\$)	375,000	607,750	330,000

OTHER OPTIONS	FOUNDER	ADVISOR
Underlying share price (A\$)	0.200	0.200
Exercise price (A\$)	0.200	0.400
Valuation date	20 Feb 2018	20 Feb 2018
Expiry date	1 Jul 2023	1 Jul 2021
Life of the options (years)	5.36	3.36
Volatility	135%	135%
Risk free rate	2.45%	2.01%
Number of options	9,000,000	2,000,000
Value per option (A\$)	0.178	0.143
Value per Tranche (A\$)	1,602,000	286,000

The share options have been valued, at the grant date, using the Black Scholes model for valuing options, and the inputs included in the modelling of this are shown above.

The key uncertainty in relation to this modelling is the volatility of the underlying share prices. For the purposes of the modelling, this has been determined by assessing volatility of the shares in the 4 months post listing, which represents the only suitable basis for determining the volatility.

During the 2018 year, the founder and advisor options fully vested, and the full value of these options were therefore recognised in the year ended 30 June 2018.

The executive options are recognised over their vesting period, taking into account the number of options which are expected to vest.

17. SHARE OPTION SCHEME (CONTINUED)

The impact of share options on the financial statements was as follows:

	GRANT DATE FAIR VALUE £	RECOGNISED IN 2018 £	RECOGNISED IN 2019 £
Executive options			
30c Executive Options	211,243	67,806	143,437
40c Executive Options	422,860	135,733	269,657
60c Executive Options	55,904	12,381	43,523
Other options			
Advisor Options	161,090	161,090	-
Founder Options	905,355	905,355	-
	1,756,452	1,282,365	456,617

All recognised amounts in relation to options were shown within administrative expenses in the year, within the "Employee benefit expense – share options" line in Note 5.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year (excluding share appreciation rights):

	2019		2018	
	NUMBER	WAEP	NUMBER	WAEP
Outstanding at 1 July	19,500,000	\$0.30	-	-
Granted during the year	-		19,500,000	\$0.30
Exercised during the year	(300,000)	\$0.40	-	
Expired during the year	-		-	
Outstanding at 30 June	19,200,000	\$0.30	19,500,000	\$0.30
Exercisable at 30 June	18,200,000		11,000,000	

The weighted average remaining contractual life for the share options outstanding as at 30 June 2019 was 2.5 years (2018: 3.5 years).

The weighted average fair value of options granted during the year was 0c (2018: 16c).

The range of exercise prices for options outstanding at year end was 20c to 60c (2018 20c to 60c).

18. RETAINED EARNINGS AND RESERVES

The other reserves of the Company are as follows:

Retained Earnings	Includes all current and prior period retained profits and losses, less dividends paid.
Other Capital Reserve	Used to recognise the value of equity-settled share-based payments. See Note 17.
Other Reserves (Foreign currency translation reserves)	Used to recognise the foreign currency movements on consolidation.

YEAR ENDED 30 JUNE 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. RELATED PARTIES

The Company considers personnel with the authority and responsibility for planning, directing and controlling the activities of the Company to be key management personnel.

The following amounts were incurred with respect to the Company's Directors, Chief Executive Officer and Chief Financial Officer of the Company;

	30 JUNE 2019 £	30 JUNE 2018 £
Chief Executive Officer	172,917	76,000
Chief Operating Officer	32,250	-
Chief Finance Officer	55,002	29,725
Company Secretary - Joint	21,529	-
Directors Fees	172,191	41,239
Advisory Fees - Directors	134,500	195,400
Total	588,389	342,364

ADVISORY FEES – DIRECTORS £134,500

Swellcap is a related party of the Company as it is controlled by Paul Cronin, a Director of the Company. The Company has engaged Swellcap to provide the Company with corporate office facilities and services from 1 April 2018 at £5,000 per month. This fee was increased to £6,000 per month from 1 May 2019 and the total fees to 30 June 2019 were £67,000.

Milos Bosnjakovic, a Director of the Company, has a consultancy agreement with the Company for his Head of Government Affairs role for £5,000 per month in addition to his Director's Fees. The total fees to 30 June 2019 were £67,500.

20. COMMITMENTS AND CONTINGENCIES

The company had no commitments as at 30 June 2019, or 2018.

21. EVENTS AFTER THE REPORTING DATE

On July 2, 2019 the Company announced a change in substantial holding due to on market trading from Sandfire Resources NL from a holding of 7.65% to 11.13% with 16,776,855 shares held. On August 14, 2019 a further notice of change of interests and substantial holding was announced for 2,551,717 shares taking Sandfire Resources NL to 12.78% with 19,328,572 shares held.

On July 23, 2019 the Company released a Maiden Mineral Resource for Rupice for 9.4Mt at 5.1% Zinc, 3.3% Lead, 183g/t Silver, 1.8g/t Gold, 0.6% Copper and 31% Barium Sulphate in the Indicated and Inferred category and an updated Mineral Resource for Veoväca for 7.4Mt at 1.4% Zinc, 0.9% Lead, 41g/t Silver, 0.1g/t Gold and 13% Barium Sulphate in the Indicated and Inferred category.

On September 18, 2019 the Company announced the appointment of Paul Cronin as Managing Director and CEO which included a total of 1.5M performance rights conditional upon set milestones and shareholder approval.

Michael Rawlinson was appointed to the Board of Directors on March 4, 2019 and included an award of 1M share options with a 3 year term and exercise price of A\$1.00, subject to shareholder approval.

Subsequent to 30 June 2019, the Board approved 1M share options with a 3 year term and exercise price of A\$1.25 to the Company's COO, Graham Hill.

22. FINANCIAL INSTRUMENTS

FAIR VALUE

The fair value of the financial assets and financial liabilities of the Group, at each reporting date, approximates to their carrying amount as disclosed in the Consolidated Statement of Financial Position and in the related notes.

The fair value of the financial assets and liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying value amounts largely due to the short-term maturities of these instruments. Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 30 June 2019:

GROUP	2019		2018	
	CARRYING AMOUNT £	FAIR VALUE £	CARRYING AMOUNT £	FAIR VALUE £
Financial assets				
Cash and cash equivalents	5,369,759	5,369,759	4,644,389	4,644,389
Trade and other receivables	361,724	361,724	19,128	19,128
Financial liabilities				
Trade and other payables	174,932	174,932	107,339	107,339
COMPANY				
	2019		2018	
	CARRYING AMOUNT £	FAIR VALUE £	CARRYING AMOUNT £	FAIR VALUE £
Financial assets				
Cash and cash equivalents	5,100,764	5,100,764	4,572,426	4,572,426
Trade and other receivables	97,246	97,246	18,764	18,764
Financial liabilities				
Trade and other payables	102,697	102,697	65,773	65,773

23. 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.

YEAR ENDED 30 JUNE 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. 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.

30 JUNE 2019	EFFECT ON PROFIT OR LOSS £	EFFECT ON EQUITY £
Increase in foreign exchange rate of 10%		
Bosnian Mark	33,560	(390,466)
Decrease in foreign exchange rate of 10%		
Bosnian Mark	(41,017)	477,236
30 JUNE 2018	EFFECT ON PROFIT OR LOSS £	EFFECT ON EQUITY £
Increase in foreign exchange rate of 10%		
Bosnian Mark	15,155	(120,351)
Decrease in foreign exchange rate of 10%		
Bosnian Mark	(18,523)	147,096

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.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

GROUP FOREIGN CURRENCY SENSITIVITY ANALYSIS *(CONTINUED)*

In addition to investments in foreign subsidiaries denominated in Bosnian Marks, at the year-end the Group held financial assets denominated in other currencies, as follows:

30 JUNE 2019	30 JUNE 2019	30 JUNE 2018
Amounts in Euros	€ 268,230	€ 1,827,922
Amounts in Australian Dollars	A\$ 9,236,297	A\$ 4,834,668

A 10% movement in the exchange rates with these currencies would have an impact of 10% of the above on both losses and equity.

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. Management do not consider that the Group has significant exposure to credit risk.

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.

TO THE SHAREHOLDERS OF ADRIATIC METALS PLC

INDEPENDENT AUDITOR'S REPORT

ADRIATIC METALS PLC

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

OPINION

We have audited the consolidated financial statements of Adriatic Metals Plc (the 'Company') and its subsidiaries (the 'Group') for the year ended 30 June 2019, which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2019 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is not appropriate; or
- the directors have not disclosed in the consolidated financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the consolidated financial statements are authorised for issue.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<i>Impairment of exploration and evaluation assets and investment in subsidiary company</i> <i>The Group has capitalised significant costs in respect of its mining exploration activities, in accordance with IFRS 6 'Exploration for Evaluation of Mineral Resources' (IFRS 6), therefore there is a risk of impairment.</i> <i>The results from the exploration activity are key to ensuring that future commercialisation will be achievable and that there are no indications of impairment, as well as the good standing of the licences in place.</i> <i>The Company also has a significant investment in its subsidiary, the carrying value of which is linked to the underlying exploration asset. Therefore there is also a risk of impairment of the investments.</i>	In accordance with IFRS 6 we reviewed the exploration and evaluation (E&E) assets for indications of impairment. We have reviewed the assets for indications of impairment, considered and discussed the Groups forecasts and impairment reviews and obtained evidence that the licences remain in good standing. Based on the above, no indications of impairment were noted.

OUR APPLICATION OF MATERIALITY

The scope and focus of our audit was influenced by our assessment and application of materiality. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the consolidated financial statements.

We define financial statements materiality as the magnitude by which misstatements, including omissions, could influence the economic decisions taken on the basis of the consolidated financial statements by reasonable users.

We also determine a level of performance materiality, which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the consolidated financial statements as a whole.

- **Overall materiality** - We determine materiality for the consolidated financial statements as a whole to be £210,000. This was based on the key performance indicator, being 2% of gross assets. We believe gross asset values are the most appropriate benchmark due to the minimal income statement activity during the year and existence of key balance sheet items.
- **Performance materiality** - On the basis of our risk assessment, together with our assessment of the company's control environment, our judgement is that performance materiality for the consolidated financial statements should be 55% of materiality, amounting to £115,000.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account an understanding of the structure of the Group and Company, its activities, the accounting processes and controls, and the industry in which they operate. Our planned audit testing was directed accordingly and was focused on areas where we assessed there to be the highest risk of material misstatement. During the audit, we reassessed and re-valuated audit risks and tailored our approach accordingly.

The audit testing included substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls and management of specific risk.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during the audit.

TO THE SHAREHOLDERS OF ADRIATIC METALS PLC

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our Auditors' Report thereon. Our opinion on the consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the consolidated financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the consolidated financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept by the Group, or returns adequate for our audit have not been received from branches not visited by us; or
- the Group consolidated 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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE GROUP FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

USE OF OUR REPORT

This report is made solely to the Company's members, 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 members those matters we are required to state to them in an Auditors' 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 members, as a body, for our audit work, for this report, or for the opinions we have formed.



Stephen Banks (Senior Statutory Auditor)

for and on behalf of

Lubbock Fine

Chartered Accountants & Statutory Auditors

3rd Floor Paternoster House
65 St Paul's Churchyard
London
EC4M 8AB

Date:

25 September 2019

YEAR ENDED 30 JUNE 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

	NOTE	PERIOD FROM 1 JUL 2017 TO 30 JUN 2018 £	PERIOD FROM 3 FEB 2017 TO 30 JUN 2017 £
REVENUE			
Sale of services		-	1,519
GROSS PROFIT		-	1,519
Administrative expenses	5	(2,170,921)	(286,461)
OPERATING LOSS		(2,170,921)	(284,942)
Finance costs	8	242,224	(7,365)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS		(1,928,697)	(292,307)
Tax	9	-	-
LOSS FROM CONTINUING OPERATIONS		(1,928,697)	(292,307)
Other comprehensive income	10	5,965	25,402
TOTAL COMPREHENSIVE INCOME		(1,922,732)	(266,905)
Earnings per share expressed in pence per share:	16		
Basic		(2.27)	(0.55)
Diluted		(2.10)	(0.55)

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 24 to 46 form part of these financial statements.

AS AT 30 JUNE 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	30 JUN 2018 £	30 JUN 2017 £
NON-CURRENT ASSETS			
Intangible assets	12	1,034,235	282,107
Tangible assets	11	626,308	585,686
		1,660,543	867,793
CURRENT ASSETS			
Inventories		-	22
Trade and other receivables	13	147,711	17,688
Cash and cash equivalents	14	4,644,389	311,470
		4,792,100	329,180
TOTAL ASSETS		6,452,643	1,196,973
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	16	1,733,042	856,323
Share premium		5,515,049	406,183
Other capital reserves	18	1,282,365	-
Other reserves	18	31,367	25,402
Retained deficit	18	(2,221,004)	(292,307)
TOTAL EQUITY		6,340,819	995,601
CURRENT LIABILITIES			
Trade and other payables	15	111,824	201,372
TOTAL EQUITY AND LIABILITIES		6,452,643	1,196,973

The notes on pages 24 to 46 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: 25 September 2018

Company Registration Number: 01682644

AS AT 30 JUNE 2018

COMPANY STATEMENT OF FINANCIAL POSITION

	NOTE	30 JUN 2018 £	30 JUN 2017 £
NON-CURRENT ASSETS			
Investments	4	1,517,405	883,545
Intangible assets	12	345,761	73,412
Tangible assets	11	26,454	360
		1,889,620	957,317
CURRENT ASSETS			
Trade and other receivables	13	110,494	275,000
Cash and cash equivalents	14	4,572,426	226,830
		4,682,920	501,830
TOTAL ASSETS		6,572,540	1,459,147
Equity			
Share capital	16	1,733,042	856,323
Share premium		5,515,049	406,183
Other capital reserves	18	1,282,365	-
Retained earnings	18	(2,023,689)	7,982
TOTAL EQUITY		6,506,767	1,270,488
CURRENT LIABILITIES			
Trade and other payables	15	65,773	188,659
TOTAL EQUITY AND LIABILITIES		6,572,540	1,459,147

The notes on pages 24 to 46 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: 25 September 2018

Company Registration Number: 01682644

YEAR ENDED 30 JUNE 2018

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

GROUP	SHARE CAPITAL	SHARE PREMIUM	OTHER CAPITAL RESERVE	RETAINED EARNINGS	OTHER RESERVES (FOREIGN CURRENCY TRANSLATION RESERVES)	TOTAL
	£	£	£	£	£	£
As at 3 February 2017	-	-	-	-	-	-
Loss for the period	-	-	-	(292,307)	-	(292,307)
Issue of share capital	856,323	406,183	-	-	-	1,262,506
Other comprehensive income	-	-	-	-	25,402	25,402
As at 30 June 2017	856,323	406,183	-	(292,307)	25,402	995,601
Loss for the period	-	-	-	(1,928,697)	-	(1,928,697)
Issue of share capital	876,719	5,108,866	-	-	-	5,985,585
Issue of options	-	-	1,282,365	-	-	1,282,365
Other comprehensive income	-	-	-	-	5,965	5,965
As at 30 June 2018	1,733,042	5,515,049	1,282,365	(2,221,004)	31,367	6,340,819

COMPANY	SHARE CAPITAL	SHARE PREMIUM	OTHER CAPITAL RESERVE	RETAINED EARNINGS	OTHER RESERVES (FOREIGN CURRENCY TRANSLATION RESERVES)	TOTAL
	£	£	£	£	£	£
As at 3 February 2017	-	-	-	-	-	-
Loss for the period	-	-	-	7,982	-	7,982
Issue of share capital	856,323	406,183	-	-	-	1,262,506
Other comprehensive income	-	-	-	-	-	-
As at 30 June 2017	856,323	406,183	-	7,982	-	1,270,488
Loss for the period	-	-	-	(2,031,671)	-	(2,031,671)
Issue of share capital	876,719	5,108,866	-	-	-	5,985,585
Issue of options	-	-	1,282,365	-	-	1,282,365
Other comprehensive income	-	-	-	-	-	-
As at 30 June 2018	1,733,042	5,515,049	1,282,365	(2,023,689)	-	6,506,767

YEAR ENDED 30 JUNE 2018

CONSOLIDATED STATEMENT OF CASH FLOWS

	2018 £	2017 £
Loss	(1,928,697)	(292,307)
Foreign exchange difference on consolidation	5,965	25,402
Depreciation and amortisation	8,910	2,394
Share based payments	1,161,408	-
Other non-cash movements	(4,885)	-
Working capital adjustments:		
Increase in trade and other receivables	(130,023)	(17,210)
Decrease/(increase) in inventories	22	(22)
(Decrease)/increase in trade and other payables	(89,548)	186,858
Net cash flows used in operating activities	(976,848)	(94,885)
Investing activities		
Purchase of property, plant and equipment	(40,296)	(39,920)
Purchase of intangible assets	(756,479)	(176,624)
Acquisition of subsidiary undertaking	-	(426,624)
Net cash flows used in investing activities	(796,775)	(643,168)
Financing activities		
Issue of share capital (net of fees)	6,106,542	1,049,523
Net cash flows generated from financing activities	6,106,542	1,049,523
Net increase in cash and cash equivalents	4,332,919	311,470
Cash and cash equivalents at 30 June 2017	311,470	-
Cash and cash equivalents at 30 June 2018	4,644,389	311,470

The notes on pages 24 to 46 form part of these financial statements.

YEAR ENDED 30 JUNE 2018

COMPANY STATEMENT OF CASH FLOWS

	2018 £	2017 £
(Loss)/profit	(2,031,671)	7,982
Share based payments	1,161,408	-
Working capital adjustments:		
Decrease/(increase) in trade and other receivables	164,506	(275,000)
(Decrease)/increase in trade and other payables	(122,886)	188,659
Net cash flows used in operating activities	(828,643)	(78,359)
Investing activities		
Purchase of property, plant and equipment	(26,094)	(360)
Purchase of intangible assets	(272,349)	(73,412)
Investment in subsidiary undertaking	(633,860)	(670,562)
Net cash flows used in investing activities	(932,303)	(744,334)
Financing activities		
Issue of share capital	6,106,542	1,049,523
Net cash flows generated from financing activities	6,106,542	1,049,523
Net increase in cash and cash equivalents	4,345,596	226,830
Cash and cash equivalents at 30 June 2017	226,830	-
Cash and cash equivalents at 30 June 2018	4,572,426	226,830

The notes on pages 24 to 46 form part of these financial statements

YEAR ENDED 30 JUNE 2018

NOTES TO THE CONSOLIDATED 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 2018. The comparative period represents the period from 3 February 2017 to 30 June 2017 and so is not directly comparable. Adriatic Metals Plc (the Company or the parent) is a public company limited by shares and incorporated in England & Wales. The registered office is located at Second Floor, Stamford House, Regent Street, Cheltenham, United Kingdom, GL50 1HN.

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 £1,928,697 (2017 - £292,307) in the year 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

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.

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.

YEAR ENDED 30 JUNE 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

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.

YEAR ENDED 30 JUNE 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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%

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

FINANCIAL INSTRUMENTS

Financial assets in the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale financial assets, or derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which do not include transaction costs. Purchases or sales of financial assets that require delivery of assets in a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date at which the Company commits to purchase or sell the asset.

The Company's financial assets include cash and cash equivalents, and trade and other receivables.

Financial liabilities in the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities are classed as trade and other payables.

TRADE RECEIVABLES

Trade receivables are initially measured at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in statement of comprehensive income when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

TRADE AND OTHER PAYABLES

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

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.

SHARE-BASED PAYMENTS

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

EQUITY-SETTLED TRANSACTIONS

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 17.

That cost is recognised in employee benefits expense (Note 5), together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

YEAR ENDED 30 JUNE 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EQUITY-SETTLED TRANSACTIONS (CONTINUED)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 16).

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.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued and not yet effective for the Group's financial statements for the period ended 30 June 2018 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

NEW AND AMENDED STANDARDS AND INTERPRETATIONS *(CONTINUED)*

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.

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.

YEAR ENDED 30 JUNE 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	INVESTMENT IN SUBSIDIARY £
Additions	883,545
At 30 June 2017	883,545
Additions	633,860
At 30 June 2018	1,517,405
NET BOOK VALUE	
At 30 June 2018	1,517,405
At 30 June 2017	883,545

The consolidated financial statements of the Group include:

NAME	PRINCIPAL ACTIVITIES	ADDRESS OF REGISTERED OFFICE	% EQUITY INTEREST	
			2018	2017
Eastern Mining d.o.o	Mining exploration	Marsala Tita 3/II, 1000 Sarajevo, Bosnia and Herzegovina	100	100

ACQUISITIONS IN PERIOD ENDED 30 JUNE 2017

The Group acquired 100% of the share capital of Eastern Mining d.o.o (Eastern Mining) a company holding certain exploration licences, on 28 February 2017 for €750k cash and 4,000,000 shares in the Company. Eastern Mining has been acquired to gain access to additional reserves for the Group.

4. GROUP INFORMATION (CONTINUED)

ACQUISITIONS IN PERIOD ENDED 30 JUNE 2017 (CONTINUED)

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:

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

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.

Acquisition-date fair value of consideration transferred

	£
Cash paid	425,967
Fair Value of shares issued	212,983
Consideration transferred	638,950
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	(657)
Cash paid	(425,967)
Net consolidated cash outflow	426,624

From the date of acquisition (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 2017 period would have been materially the same as that shown in the Consolidated Statement of Comprehensive Income.

YEAR ENDED 30 JUNE 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. ADMINISTRATIVE EXPENSES

	NOTE	2018 £	2017 £
Wages and salaries		173,850	60,378
Employee benefit expense – share options	17	1,121,275	-
Consultancy fees		531,954	175,000
Depreciation	11	4,632	424
Amortisation	12	5,321	1,970
Other costs		210,883	48,689
IPO Costs		123,006	-
		2,170,921	286,461

6. EMPLOYEES

The average monthly number of employees during the year was as follows:

	2018	2017
Directors	3	2
Administrative staff - Eastern Mining	4	1
Exploration staff - Eastern Mining	10	4
Administrative and Management - Adriatic Metals	2	1
	19	8

7. AUDITORS REMUNERATION

	2018 £	2017 £
Auditor's remuneration – fees payable to the Group's auditor for the audit of the group's annual accounts	12,500	15,000
Auditor's remuneration – fees payable to the auditor for the audit of accounts of subsidiaries of the company	3,625	1,586
	16,125	16,586

8. FINANCE COSTS

	2018 £	2017 £
Foreign currency movements	(242,224)	7,365

9. INCOME TAX

No liability to corporation tax arose on ordinary activities for the period ended 30 June 2018 or 30 June 2017.

RECONCILIATION OF TOTAL TAX CHARGE INCLUDED IN PROFIT AND LOSS

	2018 £	2017 £
Loss before tax	(1,928,697)	(292,307)
Loss multiplied by the standard rate of corporation tax in the UK 19%	(366,452)	(55,538)
Effects of: Losses carried forward	366,452	55,538
Total tax charge	-	-

FACTORS THAT MAY AFFECT FUTURE CURRENT AND TOTAL TAX CHARGES

A deferred tax asset of £70,000 (2017 - £10,000) at the year end has not been recognised due to uncertainty surrounding the Group's future taxable profits.

The UK corporation tax rate has reduced from 20% to 19%, effective 1 April 2017, and will be reduced further to 17% from 1 April 2020. The effects of these changes have been reflected in the financial statements.

10. OTHER COMPREHENSIVE INCOME

	2018 £	2017 £
Foreign exchange differences on consolidation	5,965	25,402

YEAR ENDED 30 JUNE 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. 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
Additions	-	40,205	91	40,296
Disposals	-	-	-	-
Foreign exchange differences	3,758	125	32	3,915
At 30 June 2018	566,120	59,385	4,816	630,321
DEPRECIATION				
At 3 February 2017	-	-	-	-
Charge for the year	-	424	-	424
At 30 June 2017	-	424	-	424
Charge for the year	-	3,589	-	3,589
On disposals	-	-	-	-
At 30 June 2018	-	4,013	-	4,013
NET BOOK VALUE				
At 30 June 2018	566,120	55,372	4,816	626,308
At 30 June 2017	562,362	18,631	4,693	585,686

11. TANGIBLE ASSETS (CONTINUED)

COMPANY

	LAND & BUILDINGS £	PLANT & EQUIPMENT £	ASSETS UNDER CONSTRUCTION £	TOTAL £
COST				
At 3 February 2017	-	-	-	-
Additions	-	360	-	360
Disposals	-	-	-	-
At 30 June 2017	-	360	-	360
Additions	-	26,094	-	26,094
Disposals	-	-	-	-
At 30 June 2018	-	26,454	-	26,454
DEPRECIATION				
At 3 February 2017	-	-	-	-
Charge for the year	-	-	-	-
At 30 June 2017	-	-	-	-
Charge for the year	-	-	-	-
On disposals	-	-	-	-
At 30 June 2018	-	-	-	-
NET BOOK VALUE				
At 30 June 2018	-	26,454	-	26,454
At 30 June 2017	-	360	-	360

YEAR ENDED 30 JUNE 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. 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
Additions	756,479	-	756,479
Disposals	-	-	-
Foreign exchange differences	444	526	970
At 30 June 2018	929,260	112,266	1,041,526
AMORTISATION AND IMPAIRMENT			
At 3 February 2017	-	-	-
Charge for the year	-	1,970	1,970
At 30 June 2017	-	1,970	1,970
Charge for the year	-	5,321	5,321
On disposals	-	-	-
At 30 June 2018	-	7,291	7,291
NET BOOK VALUE			
At 30 June 2018	929,260	104,975	1,034,235
At 30 June 2017	172,337	109,770	282,107

12. INTANGIBLE ASSETS (CONTINUED)

COMPANY

	EXPLORATION & EVALUATION ASSETS £	PATENTS AND LICENSES £	TOTAL £
COST			
At 3 February 2017	-	-	-
Acquired through acquisition	73,412	-	73,412
Additions	-	-	-
Foreign exchange differences	-	-	-
At 30 June 2017	73,412	-	73,412
Additions	272,349	-	272,349
Disposals	-	-	-
At 30 June 2018	345,761	-	345,761
AMORTISATION AND IMPAIRMENT			
At 3 February 2017	-	-	-
Charge for the year	-	-	-
At 30 June 2017	-	-	-
Charge for the year	-	-	-
At 30 June 2018	-	-	-
NET BOOK VALUE			
At 30 June 2018	345,761	-	345,761
At 30 June 2017	73,412	-	73,412

13. TRADE AND OTHER CURRENT RECEIVABLES

	GROUP		COMPANY	
	2018 £	2017 £	2018 £	2017 £
VAT	128,583	17,245	91,730	-
Other receivables	19,128	443	18,764	-
Accrued management fee	-	-	-	275,000
	147,711	17,688	110,494	275,000

YEAR ENDED 30 JUNE 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2018 £	2017 £	2018 £	2017 £
Cash at bank	4,640,896	311,470	4,568,933	226,830
Petty cash	3,493	-	3,493	-
	4,644,389	311,470	4,572,426	226,830

15. TRADE AND OTHER CURRENT PAYABLES

	GROUP		COMPANY	
	2018 £	2017 £	2018 £	2017 £
Trade payables	46,258	10,933	14,258	9,159
Accruals	51,515	179,500	51,515	179,500
Taxes payable	4,485	1,436	-	-
Other payables	9,566	9,503	-	-
	111,824	201,372	65,773	188,659

16. SHARE CAPITAL

GROUP AND COMPANY	30 JUN 2018 £	30 JUN 2017 £
Issued and fully paid		
Shares issued	1,733,042	856,323

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.

In April 2017, the company issued 200,000 shares with par value of £0.05342 at £0.15, totalling £30,000.

In April 2017, the company issued a further 200,000 shares with par value of £0.05342 at £0.15, totalling £30,000.

In April 2017, the company issued a further 3,757,036 shares with a par value of £0.05342 at £0.15, totalling £563,555.

In October 2017, the company issued a further 3,641,863 shares with a par value of £0.05342

On January 30, 2018 the company performed a share split on a 1:4 basis from the 19,798,899 shares issued to 79,195,596 shares in preparation for a listing on the Australian Stock Exchange ("ASX").

On February 2, 2018 the company issued 1,000,000 shares in lieu of a capital raising fee and issued on the ASX with a listing price of A\$0.20c

16. SHARE CAPITAL (CONTINUED)

On April 27, 2018 the company listed on the ASX and upon listing, awarded the following shares and options:

SHARE SUMMARY	NO. OF SHARES
Total shares at IPO	80,195,596
Shares issued for fees	600,000
CDIs issued on listing	50,000,000
Total Shares	130,795,596
Options – see Note 17	
Founder options at A\$0.20	9,000,000
Advisor options at A\$0.40	2,000,000
Executive options (various)	7,750,000
Total Options	18,750,000
Fully diluted Share Capital	149,545,596

EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

Reconciliations are set out below.

2018	EARNINGS £	WEIGHTED AVERAGE NUMBER OF SHARES	PER-SHARE AMOUNT PENCE
Basic EPS			
Earnings attributable to ordinary shareholders	(1,928,697)	84,960,236	(2.27)
Effect of dilutive securities	-	6,678,082	-
Diluted EPS			
Adjusted earnings	(1,928,697)	91,638,318	(2.10)
2017	EARNINGS £	WEIGHTED AVERAGE NUMBER OF SHARES	PER-SHARE AMOUNT PENCE
Basic EPS			
Earnings attributable to ordinary shareholders	(292,307)	52,808,122	(0.55)
Effect of dilutive securities	-	-	-
Diluted EPS			
Adjusted earnings	(292,307)	52,808,122	(0.55)

The weighted average number of shares has been calculated as if the share split occurred at the start date of the comparative period presented so that the earning per share figure is comparable.

YEAR ENDED 30 JUNE 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. SHARE OPTION SCHEME

During the year, the Company issued a number of share options, and the details of these are as follows:

EXECUTIVE OPTIONS	30C EXECUTIVE OPTIONS	40C EXECUTIVE OPTIONS	60C EXECUTIVE OPTIONS
Underlying share price (A\$)	0.200	0.200	0.200
Exercise price (A\$)	0.300	0.400	0.600
Valuation date	20 Feb 2018	20 Feb 2018	20 Feb 2018
Expiry date	1 Jul 2020	1 Jul 2020	1 Jul 2020
Life of the options (years)	2.36	2.36	2.36
Volatility	135%	135%	135%
Risk free rate	2.01%	2.01%	2.01%
Number of options	2,500,000	4,250,000	2,500,000
Value per option (A\$)	0.150	0.143	0.132
Value per Tranche (A\$)	375,000	607,750	330,000

OTHER OPTIONS	FOUNDER	ADVISOR
Underlying share price (A\$)	0.200	0.200
Exercise price (A\$)	0.200	0.400
Valuation date	20 Feb 2018	20 Feb 2018
Expiry date	1 Jul 2023	1 Jul 2021
Life of the options (years)	5.36	3.36
Volatility	135%	135%
Risk free rate	2.45%	2.01%
Number of options	9,000,000	2,000,000
Value per option (A\$)	0.178	0.143
Value per Tranche (A\$)	1,602,000	286,000

The share options have been valued, at the grant date, using the Black Scholes model for valuing options, and the inputs included in the modelling of this are shown above.

The key uncertainty in relation to this modelling is the volatility of the underlying share prices. For the purposes of the modelling, this has been determined by assessing volatility of the shares in the 4 months since listing, which represents the only suitable basis for determining the volatility.

During the year, the founder and advisor options fully vested, and the full value of these options is therefore recognised in the year ended 30 June 2018.

The executive options are recognised over their vesting period, taking into account the number of options which are expected to vest.

17. SHARE OPTION SCHEME (CONTINUED)

The impact of share options on the financial statements was as follows:

	GRANT DATE FAIR VALUE £	RECOGNISED IN 2018 £
Executive options		
30c Executive Options	211,243	67,806
40c Executive Options	422,860	135,733
60c Executive Options	55,904	12,381
Other options		
Advisor Options	161,090	161,090
Founder Options	905,355	905,355
	1,756,452	1,282,365

All recognised amounts in relation to options were shown within administrative expenses in the year, within the "Employee benefit expense – share options" line in Note 5, with the exception of Advisor Options which were directly related to the Company's issue of new shares in the year and so have been recognised as a deduction from equity.

18. RETAINED EARNINGS AND RESERVES

The other reserves of the Company are as follows:

Retained Earnings	Includes all current and prior period retained profits and losses, less dividends paid
Other Capital Reserve	Used to recognise the value of equity-settled share-based payments. See Note 17.
Other Reserves (Foreign currency translation reserves)	Used to recognise the foreign currency movements on consolidation.

19. RELATED PARTIES

The Company considers personnel with the authority and responsibility for planning, directing and controlling the activities of the Company to be key management personnel.

The following amounts were incurred with respect to the Company's Directors, Chief Executive Officer and Chief Financial Officer of the Company;

	30 JUNE 2018 £	30 JUNE 2017 £
Chief Executive Officer	76,000	-
Chief Finance Officer	29,725	-
Directors Fees	41,239	-
Directors – Advisory Fees	195,400	175,000
Total	342,364	175,000

YEAR ENDED 30 JUNE 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. RELATED PARTIES (CONTINUED)

The Company engaged Swellcap Limited, as a corporate advisor, under a corporate advisory agreement which commenced on 1 February 2017. Swellcap is a related party of the Company as it is controlled by Paul Cronin, a Director of the Company. Under this agreement the Company paid £100,000 for advisory fees and £10,000 per month from 1 February 2017 (capped at £100,000) for services provided by Paul Cronin in his capacity as a Director. No further payments are due to Swellcap Limited under the terms of this agreement. The Company has also engaged Swellcap to provide the Company with corporate office facilities and services from 1 April 2018 at £5,000 per month.

The Company engaged Lancaster Corporate Pty Ltd, as a corporate advisor, under a corporate advisory agreement which commenced on 1 February 2017. Lancaster is a related party of the Company as it is controlled by Eric De Mori, a Director of the Company. Under this agreement the Company paid £50,000 for advisory fees and £10,000 per month from 1 February 2017 (capped at £100,000) for services provided by Eric De Mori in his capacity as a Director. No further payments are due to Lancaster Corporate Pty Ltd under the terms of this agreement.

These fees are included in Directors – Advisory Fees in the above table.

In addition to the above analysis, the share options granted during the year shown in Note 17 represent related party transactions, with the founder options paid to shareholders of the Company, and the Executive options paid to key management personnel.

20. COMMITMENTS AND CONTINGENCIES

The company had no commitments as at 30 June 2018.

21. EVENTS AFTER THE REPORTING DATE

On September 4, 2018 the Company announced that the Federal Ministry of Mining within the Federation of Bosnia & Herzegovina ("FERMI") has provided written acknowledgment of the completion of the Reserves Elaborat for the Veovaca deposit, which forms part of the broader Vareš Project, representing a major milestone toward the issue of the Exploitation Permit.

22. FINANCIAL INSTRUMENTS

The notes contained within the significant accounting policies section provide a description of each category of financial assets and financial liabilities and the related accounting policies.

The carrying amounts of financial assets and financial liabilities not carried at fair value through the income statement (FVTPL) approximate their fair values.

A description of the Group's financial instrument risks, including risk management objectives and policies is given in note 23.

The carrying amounts of financial assets and financial liabilities in each category (excluding prepayments, deferred income, accrued income and expense) are included in the consolidated financial statements as follows:

	GROUP		COMPANY	
	2018 £	2017 £	2018 £	2017 £
Cash and cash equivalents	4,644,389	311,470	4,572,426	226,830
Trade and other receivables	19,128	443	18,764	275,000
Loans and receivables	4,663,517	311,913	4,591,190	501,830
Trade and other payables	107,339	199,936	65,773	188,659
Financial liabilities	107,339	199,936	65,773	188,659

23. 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.

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.

YEAR ENDED 30 JUNE 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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.

30 JUNE 2018	EFFECT ON PROFIT OR LOSS £	EFFECT ON EQUITY £
Increase in foreign exchange rate of 10%		
Bosnian Mark	15,155	(120,351)
Decrease in foreign exchange rate of 10%		
Bosnian Mark	(18,523)	147,096
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.

In addition to investments in foreign subsidiaries denominated in Bosnian Marks, at the year-end the Group held financial assets denominated in other currencies, as follows:

30 JUNE 2018	30 JUNE 2018	30 JUNE 2017
Amounts in Euros	€ 1,827,922	€ -
Amounts in Australian Dollars	A\$ 4,834,668	A\$ -

A 10% movement in the exchange rates with these currencies would have an impact of 10% of the above on both losses and equity.

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. Management do not consider that the Group has significant exposure to credit risk.

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.

TO THE SHAREHOLDERS OF ADRIATIC METALS PLC

INDEPENDENT AUDITOR'S REPORT

ADRIATIC METALS PLC

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

OPINION

We have audited the consolidated financial statements of Adriatic Metals Plc (the 'Company') and its subsidiaries (the 'Group') for the year ended 30 June 2018, which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2018 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is not appropriate; or
- the directors have not disclosed in the consolidated financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the consolidated financial statements are authorised for issue.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<i>Impairment of exploration and evaluation assets and investment in subsidiary company</i>	In accordance with IFRS 6 we reviewed the exploration and evaluation (E&E) assets for indications of impairment.

TO THE SHAREHOLDERS OF ADRIATIC METALS PLC

INDEPENDENT AUDITOR'S REPORT

The Group has capitalised significant costs in respect of its mining exploration activities, in accordance with IFRS 6 'Exploration for Evaluation of Mineral Resources' (IFRS 6), therefore there is a risk of impairment.

The results from the exploration activity are key to ensuring that future commercialisation will be achievable and that there are no indications of impairment, as well as the good standing of the licences in place.

The Company also has a significant investment in its subsidiary, the carrying value of which is linked to the underlying exploration asset. Therefore there is also a risk of impairment of the investments.

We have reviewed the assets for indications of impairment, considered and discussed the Groups forecasts and impairment reviews and obtained evidence that the licences remain in good standing.

Based on the above, no indications of impairment were noted.

OUR APPLICATION OF MATERIALITY

The scope and focus of our audit was influenced by our assessment and application of materiality. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the consolidated financial statements.

We define financial statements materiality as the magnitude by which misstatements, including omissions, could influence the economic decisions taken on the basis of the consolidated financial statements by reasonable users.

We also determine a level of performance materiality, which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the consolidated financial statements as a whole.

- **Overall materiality** - We determine materiality for the consolidated financial statements as a whole to be £130,000. This was based on the key performance indicator, being 2% of gross assets. We believe gross asset values are the most appropriate bench mark due to the minimal income statement activity during the year and existence of key balance sheet items.
- **Performance materiality** - On the basis of our risk assessment, together with our assessment of the company's control environment, our judgement is that performance materiality for the consolidated financial statements should be 55% of materiality, amounting to £70,000.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account an understanding of the structure of the Group and Company, its activities, the accounting processes and controls, and the industry in which they operate. Our planned audit testing was directed accordingly and was focused on areas where we assessed there to be the highest risk of material misstatement. During the audit, we reassessed and re-valuated audit risks and tailored our approach accordingly.

The audit testing included substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls and management of specific risk.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during the audit.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our Auditors' Report thereon. Our opinion on the consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the consolidated financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the consolidated financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept by the Group, or returns adequate for our audit have not been received from branches not visited by us; or
- the Group consolidated 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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

TO THE SHAREHOLDERS OF ADRIATIC METALS PLC

INDEPENDENT AUDITOR'S REPORT

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE GROUP FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

USE OF OUR REPORT

This report is made solely to the Company's members, 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 members those matters we are required to state to them in an Auditors' 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 members, as a body, for our audit work, for this report, or for the opinions we have formed.



Stephen Banks (Senior Statutory Auditor)

for and on behalf of

Lubbock Fine

Chartered Accountants & Statutory Auditors

3rd Floor Paternoster House
65 St Paul's Churchyard
London
EC4M 8AB

Date:

26 September 2018

Schedule "I"

TECHNICAL DISCLOSURE REGARDING THE KIZEVAK PROJECT AND SASTAVCI PROJECT



**TECHNICAL DISCLOSURE
REGARDING THE KIZEVAK PROJECT AND SASTAVCI PROJECT**

GLOSSARY OF TECHNICAL TERMS

“**Ag**” means silver.

“**ALS**” means ALS Global sample preparation and analytical laboratories in Bor, Serbia, Rosia Montana, Romania and Loughrea, Ireland.

“**As**” means arsenic.

“**BDL**” means below detection limit.

“**Bi**” means bismuth.

“**Cd**” means cadmium.

“**CRM**” means certified reference material.

“**Cu**” means copper.

“**Fe**” means iron.

“**g**” means grams.

“**GKZ**” means Yugoslav state commission for reserves.

“**g/t**” means grams per tonne.

“**Hg**” means mercury.

“**HQ**” means gauge of drill bit producing 63.5 mm diameter drill core .

“**ICP-MS**” means inductively coupled plasma-mass spectrometry.

“**IP**” means induced polarization.

“**kg**” means kilograms.

“**KSEDD**” means Kizevak Southeast diamond drill hole.

“**kt**” means thousand tonnes.

“**kV**” means kilovolts.

“**m**” means metre.

“**Mt**” means million tonnes.

“**NaCN**” means sodium cyanide.

“**Pb**” means lead.

“**PQ**” means gauge of drill bit producing 85.0 mm diameter drill core.

“**PREP**” means preparation.

“**Qualified Person**” has the meaning ascribed to it in NI 43-101.

“**RSD**” means Serbian dinars.

“**Sb**” means antimony.

“**t**” means tonnes.

“**Zn**” means zinc.

“**ZnS**” means zinc sulphide.

MINERAL PROJECTS

Kizevak and Sastavci are brownfield silver-zinc-lead vein type exploration projects. The projects are located within the contiguous exploration licence package operated by the Company in southwest Serbia called the Raska District, which contains several other early stage exploration prospects in addition to the material mineral projects (Figure 1).

CURRENT TECHNICAL REPORT

The following represents information summarized or taken directly from the technical report titled “NI 43-101 report, Kizevak and Sastavci exploration base metals projects, Raska District, Serbia” prepared by Christopher Picken and Timothy J. Strong of Kangari Consulting Ltd. with an effective date of January 10th, 2020, which is due to be filed on submission of the management information circular to which this Technical Disclosure relates. Christopher Picken and Timothy J Strong are independent Qualified Persons as defined by National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“**NI 43-101**”). The Kizevak and Sastavci Technical Report was prepared as per Section 5.7(a) of TSXV Policy 5.3 – *Acquisitions and Dispositions of Non-Cash Assets*.

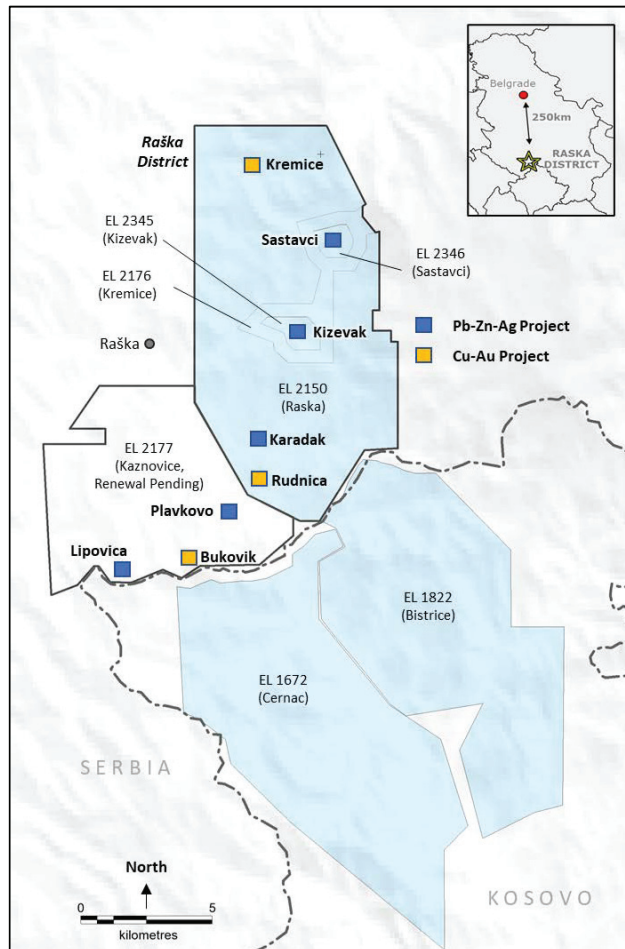


Figure 1: Project location, exploration licences and prospects, Raska District, Serbia

PROJECT DESCRIPTION, LOCATION AND ACCESS

Location and Means of Access

The Raska District comprises four contiguous exploration licences in southwest Serbia and a fifth exploration licence which is pending renewal, located approximately 250 km south of the capital city, Belgrade. The local town of Raska is 5 km from the exploration licences and the projects are easily accessible by car. Accommodation, office space, core yard and basic amenities are all provided for in Raska and the exploration licences are located adjacent to the national road, rail and power networks.

Relief in the project area is hilly, ranging in elevation from 400 metres above sea level (m.a.s.l.) in the Ibar river valley to >1000 m.a.s.l. at Sastavci. The exploration licences are transected by tributaries of the Ibar and Raska rivers, with drainages predominantly of NE-SW and NW-SE orientations reflecting the strong regional structural grain. Most of the exploration licences are characterised by forest cover with conifers (pine and firs) dominant. Seasonal stone-fruit orchards, meadows and pastures are also present. Assuming that access and water supply issues have been addressed prior to winter, drilling operations should be able to operate all year round.

The exploration licences contain sufficient areas considered suitable for the accommodation of tailings storage, waste disposal and processing plant sites for potential future mining operations. Both Kizevak and Sastavci exploration licences currently contain small open pits and associated waste dumps

Title and Interests

A summary of exploration licence details is presented in the table below:

Exploration Licence Details					
Number	Name	Area (km²)	Owner	Expiry Date	Relationship to Tethyan
2150	Raska	81.39	Deep Research d.o.o.	18.02.2022	Tethyan is the operator under an option agreement dated September 2016.
2176	Kremice	38.96	Taor d.o.o.	26.07.2022	Taor d.o.o is a 100% owned subsidiary of Tethyan Resource Corp
2177	Kaznovici	TBC	Taor d.o.o.	Pending renewal	Taor d.o.o is a 100% owned subsidiary of Tethyan Resource Corp
2345	Kizevak	1.84	EFPP d.o.o	16.10.2022	Tethyan owns 10% of EFPP d.o.o. and has an option to acquire 100%, Tethyan is the operator of the licence
2346	Sastavci	1.44	EFPP d.o.o	16.10.2022	Tethyan owns 10% of EFPP d.o.o. and has an option to acquire 100%, Tethyan is the operator of the licence

The Serbian Ministry of Mining and Energy (the “**Ministry**”) is responsible for the administration of mineral land tenure, including the issuance of exploration licences and mining licences. Exploration must be conducted in accordance with the Law on Mining and Geological Exploration (Gazette RS 101/2015). Exploration licences are issued for an initial 3-year period, followed by two extensions of three (3) and two (2) year periods (for a total allowed exploration period of 8 years).

An exploration licence holder must meet the following obligations and regulatory criteria:

- Submission of a detailed exploration work program and budget for approval by the Ministry, with supporting documentation from the Institute for Preservation of Cultural Heritage and the Institute for Nature Conservation.
- Complete the approved work program, provide annual exploration activity reports to the Serbian authorities no later than 30 days after the anniversary date, and to ‘advance the geological knowledge’ of the property. If between 75% and 125% of the planned work programme is completed, along with other license obligations, the EL would be automatically renewed.
- If <75% or >125% of the planned work programme is completed, or additional work not included in the approved work programme is required, an Annex detailing the proposed changes to the work programme must be submitted to the Ministry for approval. However, the work programme cannot be decreased in the final year of exploration (for example the third year of an initial exploration licence, or the second year of an extension period).
- Submit a Final Report on Results of Exploration on the licence expiry date.
- Payment of an annual permit fee per exploration licence, calculated as RSD10,000/km²

The Kizevak and Sastavci exploration licences are subject to the following additional terms:

Exploration Licence	Summary	Terms
Kizevak (2345) and Sastavci (2346)	The Kizevak and Sastavci exploration licences are owned by EFPP d.o.o. - On April 1, 2020, Tethyan announced that it had entered into an arms length agreement to acquire 100% of EFPP in two stages: the First Closing and the Second Closing. - On May 14, 2020, Tethyan announced that it had completed the First Closing and had acquired 10% of EFPP d.o.o.	At any time within 12 months of the first closing, the Company may acquire the remaining 90% ownership stake (second closing) by: - making a payment of €1,375,000 to the sellers of EFPP; - grant a 2% NSR over the licences; - issue four million shares of Tethyan to the sellers in four equal tranches every six months commencing on second closing; and - make a €500,000 payment on the two-year anniversary of the first closing.

Surface Rights

Tethyan does not control surface rights on the exploration licences and must seek access agreements with the landowner(s) for exploration work. According to art. 50 paragraph 2 of the Serbian mining act, the exploration licence holder has a duty to obtain proof of the owner's consent for the right to use or lease property concerning easements on the land where it intends to carry out the projected exploration works (exploration drill holes, trenches, exploration levels, exploration mining activities, etc.) before the start of performing the same works.

The land can be in private or public ownership. If the ownership is private, the agreement of one of the above-mentioned rights must be made with the private owner, according to the market prices. For the land in public ownership, if it is forested, then it is under the jurisdiction of State Enterprise “Srbijasume” and the agreement can be made with them according to their standard compensation rates. If public land is not forested, then it is under the jurisdiction of Ministry of Agriculture or Directory of Land. In cases of strategic mineral resources such as oil, natural gas, coal, copper, gold, zinc, boron, lithium, shale oil and other resources, expropriation of the land required for mining is permitted.

Royalties and Other Encumbrances

Entities or individuals that carry out mining activities under Mining Licenses are required to pay central taxes (including income tax and other centrally administered taxes, as well as import / customs duties), as well as regional taxes and retributions.

A non-negotiable 5% Net Smelter Return (NSR) is payable to the Serbian government for metallic raw materials.

Subject to Tethyan exercising its right to acquire 100% of EFPP, a 2% NSR will be payable to the sellers of EFPP.

Risks and Liabilities

Exploration activity must be conducted in accordance with prevailing Serbian environmental and cultural laws and regulations. This includes the rehabilitation of drill pads, use of sumps when drilling, and backfilling of any exploratory pits, soil sample locations or trenches. With the supporting documents from the Institute for Nature Conservation and Institute for Protection of Cultural Heritage this means that the Company's standard operating procedures employed in regard to cultural and environmental aspects are in compliance with prevailing environmental regulations.

The Kizevak and Sastavci exploration licences are not located within environmentally protected areas. Kizevak and Sastavci were determined by the Institute for Nature Conservation to be located in the Kapaonik ecologically important area, however permission to conduct exploration was granted. As part of the exploration licence approval, decisions on nature conservation requirements issued by the Institute for Nature Conservation must be adhered to by the operator.

Under the Mining Law of Serbia, the holder of the mining license “at the time of occurrence of the actual environmental damage” shall be responsible for such damages. Consequently, Tethyan has no environmental liability for environmental damages related to historical mining activities.

The Company has in place industry standard Sustainability, Environmental, Grievance and Land Access Policies. The Raska region is seismically active due to its tectonic setting and is characterized as a high-level hazard according to the seismic hazard study issued by the World Health Organization (www.data.euro.who.int/e-atlas/europe/images/map/serbia/srb-seismic).

To the author's knowledge, the project is not subject to any other permitting or environmental liabilities, or significant factors or risks that might affect access or title, or the right or ability to perform work on the property.

HISTORY

1929-1932: Selection Trust Ltd conducted prospecting and developed underground drives for exploration however the results are not known.

1957-1958: Rudnik Belo Brdo completed five drill holes at Kizevak but the results and locations are not known.

1973-2005: Geoinstitut (Yugoslav state company) explored the Kizevak and Sastavci prospects. At Kizevak there was extensive diamond core drilling (at least 172 core holes totalling 26,727 metres), underground exploration in drives and cross drifts (7820 meters), metallurgy tests and eventual production by open pit of 2Mt (1984 to 2000). At Sastavci 30 diamond core drill holes totalling 7113 metres and three drives with cross drifts for 2626 metres were completed, and a small scale open pit produced 40kt in 1986.

In 1994 the Yugoslav Geological Survey reported combined estimated mineral resources in GKZ compliant A+B+C1+C2 categories of 8Mt at 45 g/t silver, 5.06 % zinc and 2.96 % lead at Kizevak, Sastavci and Karadak (see below table).

Historic Mineral Resource Estimate for Kizevak, Sastavci and Karadak (1994)					
Project	Category	Tonnes	Ag (g/t)	Zn (%)	Pb (%)
Kizevak	A+B+C1	4,402,227	54	5.43	3.62
	C2	1,800,000	36	5.04	2.23
	Sub Total:	6,202,227	48	5.32	3.22
Sastavci	A+B+C1	357,642	45	5.56	2.07
	C2	1,000,000	25	3.50	1.90
	Sub Total:	1,357,642	30	4.04	1.94
Karadak	C1	410,000	47	4.61	2.52
	Sub Total:	410,000	47	4.61	2.52
Kizevak, Sastavci and Karadak	A+B+C1+C2	7,969,869	45	5.06	2.96

The mineral resource estimates were reported by the state geological survey according to Yugoslav GKZ guidelines and do not comply with NI 43-101 reporting requirements and associated CIM definition standards. The authors caution that a qualified person has not done sufficient work to validate the historical estimates, and Tethyan is not treating the historical estimates as current mineral resources or reserves. Tethyan has not completed a detailed review of the historical resource or completed a new mineral resource estimate.

The historical resource estimates were completed using the polygonal method using data acquired from diamond drilling and underground sampling.

For readers not familiar with Yugoslav mineral estimates, such estimates were always stated as “reserves” and classified according to the A+B+C1+C2 or “alphabetical” classification, which was derived from the Russian system and is still applied throughout many countries in southeast Europe. The reserves had to be approved by the official Commission for Ore Reserves. The A, B, C1 and C2 categories reflect the levels of confidence in the actual tonnage exploited from a reserve, with confidence levels being - 95%, 80%, 70% and 35% respectively. Henley (2004) and others have evaluated the alphabetical classification system with respect to the compliant codes in Canada and Australia, and concluded that A+B is comparable to “measured”, C1 to “indicated” and C2 to “inferred” in internationally acceptable codes for reporting resources. However, these comparisons are only an approximation, and cannot be considered as equivalents.

To verify the historical resource estimate as current mineral resources or mineral reserves, drilling, mapping, detailed geological interpretation, geological modelling, grade mapping by interpolation using geostatistical analysis and mineral resource classification, using industry standard software, is required.

REGIONAL GEOLOGY

The Raska District lies within the Serbomacedonian-Rhodope Metallogenic Belt (SMRB), a magmatic arc that trends southeast from Serbia through Macedonia into Greece and southern Bulgaria, and is located at the northern end of the Trepca complex, a large polymetallic mining district. Geology is characterised by serpentinite-harzburgite and dolomite basement rocks, unconformably overlain by andesitic to dacitic volcanic and volcanoclastic rocks and intruded by granodiorite, diorite and monzodiorite stocks and dykes.

GEOLOGY

Kizevak and Sastavci are hosted in an andesitic dome setting, overlying and juxtaposed against a metamorphic basement of serpentinised ophiolitic rocks (Figure 2). The volcanic package is between 150m and at least 500m thick and is largely composed of pyroclastic units including ash, crystal and lithic tuff and volcanoclastic breccias with rare interlayers of porphyritic andesite, intruded by small stocks, dykes and sills composed of fine-grained, feldspar-hornblende phyric diorite. A single outcropping lens of massive, fine-grained limestone is observed in the southeastern part of the project area. The volcanic package is locally offset on a small scale by north, northeast and northwest striking, steeply dipping faults with variable dip directions.

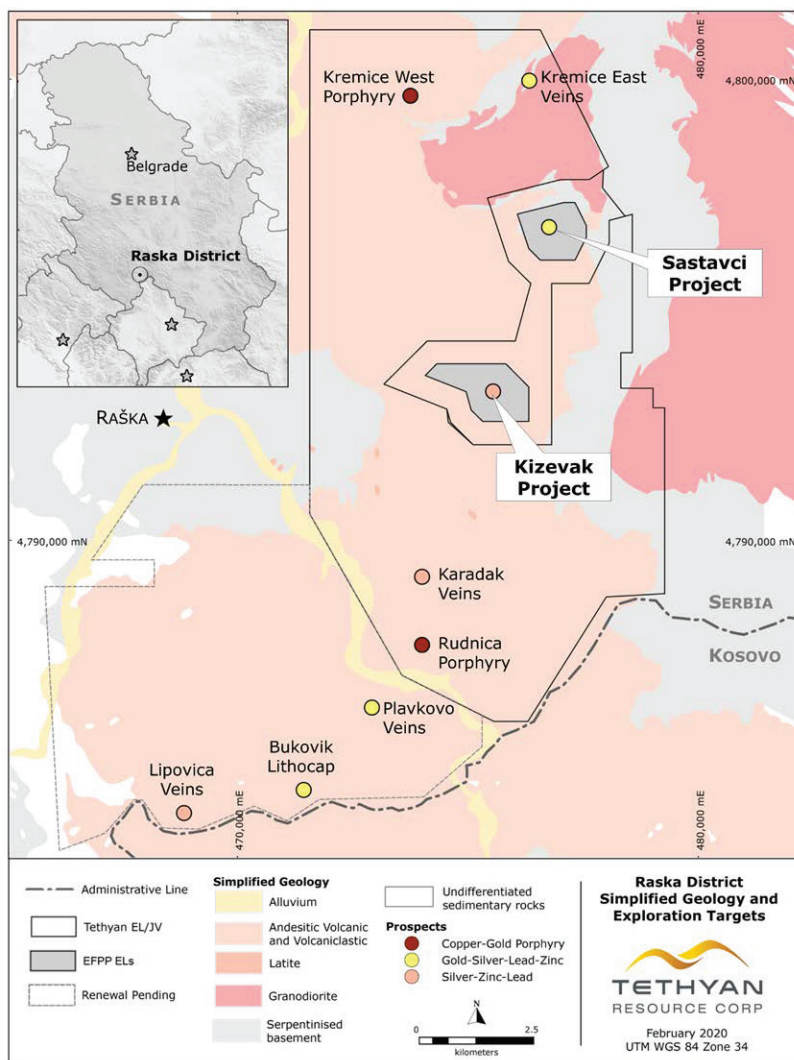


Figure 2: Regional geology of the Raska District

MINERALIZATION

Mineralisation at Kizevak and Sastavci comprises polymetallic vein systems hosted in argillic to phyllic altered (magnetite destructive, variable silica, illite, pyrite assemblages) andesitic volcanic rocks, with weakly to moderately mineralised selvages of crackle breccia and network veins. At Kizevak, historic drilling data indicates that mineralisation is observed over a strike length of 1.2 kilometres, is 1 to >20 metres wide, and extends to at least 200 metres below surface. Mineralisation is open in all directions and locally displays an abrupt pinch and swell morphology. The same style of mineralisation is observed at Sastavci in historic drilling data over a strike length of 1.2 kilometres, between 1 and 10 m thick, and to 200 m below surface, and is open in all directions. Mineralisation at Sastavci is typically narrower than observed at Kizevak.

Individual veins display a variety of textures, including semi-massive to massive sulphide (pyrite-sphalerite-galena-tetrahedrite/freibergite-bourbonite and lead-arsenic-antimony sulfosalts) with interstitial quartz-carbonate as well as quartz-carbonate dominant veins with sulphidic bands and space-filling sulphides. Epithermal textures are observed in some vein

breccias including banded quartz-sulphide, moss texture chalcedony, cockade and crustiform textures and lattice bladed silica after calcite.

DEPOSIT TYPE

Kizevak and Sastavci are polymetallic and display vein textures, metal zonation and alteration consistent with a low or intermediate sulphidation epithermal deposit class. Tethyan intends to carry out geochemical sampling, geophysical surveys and mapping on targets identified from historical data review, to define drill targets based on a combination of favourable structural setting, geochemical anomalies and geophysical targets. Geophysical surveys may include ground magnetic data to explore for magnetite destructive alteration which occurs as a selvage to mineralisation, gravity surveys to identify potential density contrasts between sulphide mineralisation and host rock, and IP surveys to identify sulphide bearing mineralised structures or alteration zones.

EXPLORATION

Neither Tethyan nor EFPP had conducted any exploration on the Kizevak and Sastavci exploration licences by the effective date of the technical report.

However, the Kremice exploration licence surrounds and adjoins the Kizevak and Sastavci licences and is 100% owned by Tethyan through its Serbian subsidiary Taor d.o.o., and is considered an “Adjacent Property”. Tethyan acquired the Kremice exploration licence in 2018 and the project was the subject of a separate NI 43-101 Technical Report (Campbell, 2018).

Since acquiring the Kremice exploration licence, Tethyan has completed soil samples, ground magnetic surveys, induced polarisation surveys, and reported four diamond drill holes for 957.3 metres (see news release dated 4th September 2018). The majority of this work has occurred along strike from the Kizevak open pit mine, including the four diamond drill holes, with significant intercepts including:

- 2.0 m @ 22.03 % zinc, 10.29 % lead, 167 g/t silver and 0.18 g/t gold (Hole KSEDD002, from 130 m)
- 43.0 m @ 4.30 % zinc, 2.49 % lead, 26 g/t silver and 0.21 g/t gold (Hole KSEDD001, from 193 m)
 - including 1 m @ 11.28 % zinc, 5.05 % lead, 57 g/t silver and 0.32 g/t gold (from 221 m)
- 40.0 m @ 4.35 % zinc, 2.14 % lead, 27 g/t silver and 0.34 g/t gold for (Hole KSEDD003, from 137 m)
- 22.2 m @ 2.95 % zinc, 2.41 % lead, 41 g/t silver and 0.18 g/t gold for (Hole KSEDD003, from 160 m)

This work demonstrates that mineralisation continues along strike from the open pit to Kizevak SE for a total strike length of 1.2 km and to a depth of at least 210 m below surface.

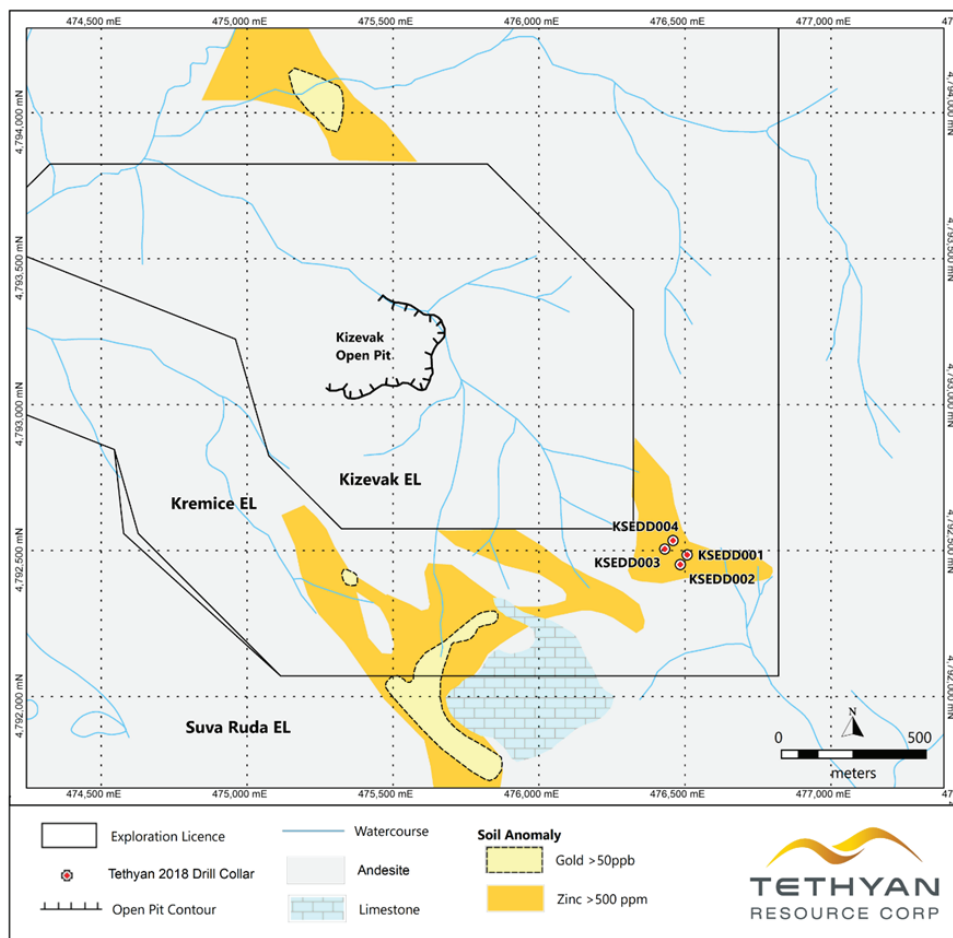


Figure 3: Location of Tethyan drill holes and soil anomalies, Kizevak Project

DRILLING

No drilling had been completed on the Kizevak and Sastavci exploration licences by the effective date of the technical report.

MINERAL PROCESSING AND METALLURGICAL TESTING

Metallurgical test work was conducted in 2018 on two composite samples collected from quarter cut PQ and HQ diameter drill core from select intervals in core holes KSEDD-001, -002 and -003. Samples to form Composite 01 (39 kg) were collected from massive sulphide type mineralisation, and samples to form Composite 02 (28 kg) were collected from sheeted and fracture type mineralisation hosted in illite-pyrite altered andesite. Samples were submitted to the Mining and Metallurgy Institute, Bor (MMI), Serbia for sample preparation and bench scale flotation test work, including three cleaning stages of the lead rougher concentrate. Final results were obtained using grind sizes of 75% passing 75 micron for Composite 01 and 85% passing 75 micron for Composite 02, using reagent consumptions of between 300 to 800 g/t NaCN, and 900 to 2000 g/t ZnSO₄. Results are shown in the below tables:

Results of flotation tests, Kizevak Project

Sample ID	Head Grade			Lead Circuit				Zinc Circuit	
				Concentrate Grade		Recovery to Concentrate		Concentrate Grade	Recovery to Concentrate
	Pb (%)	Zn (%)	Ag (g/t)	Pb (%)	Ag (g/t)	Pb (%)	Ag (%)	Zn (%)	Zn (%)
Composite 01 - Massive Sulphide	20.7	30.6	212.2	70.6	569.0	82.7	75.3	59.2	81.2
Composite 02 - Fracture Fill	2.9	7.1	30.3	60.8	410.0	89.1	72.0	58.9	92.7

Concentration of deleterious elements and impurities, Kizevak Project

Sample ID	Concentrate	Fe (%)	Bi (%)	As (%)	Cd (%)	Sb (%)	Cu (%)	Hg (g/t)
Composite 01 - Massive Sulphide	Lead	1.63	BDL	0.16	0.03	0.39	0.19	1.7
	Zinc	1.68	<0.005	0.03	0.28	0.02	0.17	5.08
Composite 02 - Fracture Fill	Lead	10.32	<0.005	0.33	0.02	0.34	0.42	1.75
	Zinc	1.34	<0.005	0.02	0.27	0.02	0.19	10.04

SAMPLING, ANALYSIS AND DATA VERIFICATION

Sampling

Drill core samples were collected from half cut PQ and HQ diameter core, where the core was sawn along a pre-defined cutting line. Sample intervals were selected by the geologists based on geological criteria including the presence of alteration and mineralization, style of mineralization and lithological contacts. Minimum sample lengths of 0.5 metres and maximum sample lengths of two metres were employed. Each sample weighed between two kilograms and 13 kilograms, depending on the length of the sample and diameter of drill core. At Kizevak, only visually mineralised core and 10 metres either side of the mineralised interval was sampled.

The samples are considered representative and there are no factors that may have resulting in sample biases. Further, there are no drilling or recovery factors that could materially impact the accuracy and reliability of the results.

Analyses

Drill core samples were either delivered by Tethyan personnel directly to the ALS sample preparation laboratory in Bor, Serbia, or collected by an ALS courier from Tethyan's core facility. Samples were prepared using code PREP-31b. All sample pulps were assayed for gold by 30 g fire assay with AA finish (Code Au-AA23) at ALS Rosia Montana. Kizevak drill core was

analysed by ALS Loughrea using a highly oxidising digestion with ICP-MS finish (code ME-ICPORE). ALS's laboratories are ISO 2005 accredited, employ a Laboratory Information Management System for sample tracking, quality control and reporting, and are independent of Tethyan.

Quality Assurance and Quality Control

Quality assurance was provided through provision of standard operating procedures for the collection and submission of samples as well as data handling and management. Quality control was monitored through the insertion of one certified reference material sample and one blank sample per batch of 20 samples. One duplicate sample was also inserted per batch. Results were monitored on a real-time basis, and any failed batches were re-assayed. A blank was deemed a failure if the target element assayed more than three times the lower detection limit. A certified reference material sample was deemed to have failed if it assayed ± 3 standard deviations from the mean (where the mean is determined by the CRM supplier), or where two consecutive batches assayed ± 2 standard deviations from the mean. Tethyan used a range of lead, zinc and silver CRM samples at different grades to represent the lower and higher ranges of mineralisation encountered on the property.

In the author's opinion, the sample preparation, security and analytical procedures are adequate for the types of mineral deposit being investigated.

Data Verification

Data verification was conducted by the Qualified Person including checking of detailed geological logs against core observations, core photographs and analytical results. In addition, digital data was verified using industry standard software to validate the drill database prior to entering data into the master database. As part of the metallurgical test programs at Kizevak, head grades for each sample were estimated from the assay database and compared with the head grade analyses conducted by MMI Bor. The results show excellent correlation.

The Qualified Person considers the data adequate for the purposes used in this technical disclosure.

ITEMS 5.4 (9) TO 5.4 (13) OF FORM 51-102F2

Kizevak and Sastavci are at the exploration stage of development and therefore items 5.4 (9) to 5.4 (13) (Mineral Resource and Mineral Reserve Estimates; Mining Operations; Processing and Recovery Operations; Infrastructure, Permitting and Compliance Activities; and Capital and Operating Costs) do not apply to this Technical Disclosure.

EXPLORATION, DEVELOPMENT AND PRODUCTION

Tethyan commenced a core drilling program in June 2020 on the Kizevak exploration licence immediately after announcing the acquisition of EFPP d.o.o. The aim of the program is to verify historic intercepts and commence exploration of the wider project area, with a focus on the area between the historic open pit in the northwest, and the area drilled by Tethyan in 2018/2019 to the southeast. This program is ongoing at the time of writing and no assays had been returned at the time of writing. Detailed mapping of the Kizevak and Sastavci exploration licences also commenced in June 2020. The results of this initial program will be used to plan follow up exploration activities.

