

27 JANUARY 2021

QUARTERLY ACTIVITIES REPORT
For the 3 months ended 31 December 2020

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

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

DIRECTORS

Mr Michael Rawlinson
NON-EXECUTIVE CHAIRMAN

Mr Paul Cronin
MANAGING DIRECTOR & CEO

Mr Peter Bilbe
NON-EXECUTIVE DIRECTOR

Mr Julian Barnes
NON-EXECUTIVE DIRECTOR

Ms Sandra Bates
NON-EXECUTIVE DIRECTOR

Ms Sanela Karic
NON-EXECUTIVE DIRECTOR

HIGHLIGHTS

- Completed Pre-Feasibility Study for the Vares Silver Project with NPV₈ of US\$1,040 and IRR of 113%
- Closed US\$28 million of fundraising with EBRD and Queens Road Capital
- Continued progress with Vares Silver Project permitting with receipt of the Urban Planning Permit for the Veovaca area of the project
- Completed the acquisition of Tethyan Resource Corp
- Settled litigation with Sandfire
- Cash balance at 31 December 2020 of £29.2m (A\$51.8m)

Adriatic Metals PLC (ASX:ADT, LSE:ADT1) ("Adriatic" or the "Company") is pleased to provide the following Quarterly Activities Report ("QAR") that summarises the progress made and reported during the three months ended 31 December 2020 ("Q4" or the "Quarter").

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

"The last quarter of 2020 culminated in the successful delivery of several important workstreams including a hugely positive Pre-Feasibility Study for the Vares Silver Project with improved economics in comparison to our 2019 Scoping Study, raising US\$28 million of funding from EBRD and Queens Road Capital and completing the acquisition of Tethyan Resource Corp."

"The Company is well positioned to build on these achievements during 2021 as we progress the Definitive Feasibility Study for the Vares Silver Project and associated financing and further prove up the potential of the additional exploration ground acquired from Tethyan to diversify and further strengthen the Company's asset portfolio."

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1. Pre-Feasibility Study

The Company released an exceptional Pre-Feasibility Study ("PFS") for its wholly owned Vares Silver Project in Bosnia & Herzegovina on 15 October 2020. Highlights included:

- US\$1,040 million post-tax NPV₈
- Internal Rate of Return of 113%
- Low upfront capital of US\$ 173 million
- 1.2 years payback
- Average annual EBITDA of US\$ 251 million in years 1-5
- 11.1 Mt of Probable Ore Reserves mined over a 14-year mine life, annual throughput of 800 kt
- 88.5% conversion of Indicated Resources to Ore Reserves at Rupice
- 45.3% of revenues from silver and gold
- Low environmental impact with underground mining and partial tailings backfill at Rupice, and use of brownfield Veovaca mine site for majority of plant infrastructure

The PFS relies on significantly more robust inputs over 2019 Scoping Study including:

- 2020 Mineral Resource estimate with improved geological interpretation
- Metallurgical domaining of the orebody

The Company confirmed, that based on the positive outcome of the PFS, work was immediately commencing on the Definitive Feasibility Study.

2. Financing

On 27 October 2020 the Company announced that it had entered into binding agreements for a US\$28 million financing, comprising a US\$20 million private placement of 8.5% unsecured convertible debentures (the "Debentures") to Queen's Road Capital Investment Ltd. ("QRC") (TSXV: QRC) and a subscription by the European Bank for Reconstruction and Development ("EBRD") for £6.2 million (~US\$8 million) in ordinary shares of the Company ("Ordinary Shares") at a price of £1.175 per share (the "EBRD Subscription").

The EBRD Subscription settlement and completion was subsequently announced on 2 November 2020 raising gross proceeds of £6.2 million.

On 1 December 2020 the Company advised it had closed the QRC private placement raising gross proceeds of US\$20 million before transaction costs.

3. Vares Project Permitting Approvals

On 19 November 2020, Adriatic announced that it had received the Urban Planning Permit for the Veovaca project area (Open Pit, Plant & Tailings areas) from the Federal Ministry of Spatial Planning. The approval reflects the strong support from government and commercial stakeholders.



4. Acquisition of Tethyan Resource Corp.

On 7 October 2020 Adriatic announced that, except for Admission, all conditions to closing had been satisfied in respect of the business combination, pursuant to which Adriatic would acquire all of the common shares of Tethyan Resource Corp. (TSX-V: TETH) ("Tethyan") by way of a court approved plan of arrangement (the "Arrangement").

Adriatic allotted 13,278,937 new ordinary shares pursuant to the Arrangement which were admitted to the Standard Segment of Official List of the Financial Conduct Authority and to trading on the London Stock Exchange's main market for listed securities on 8 October 2020.

Pursuant to the Arrangement, on Admission Adriatic also issued 4,128,633 warrants and 469,779 options to Tethyan warrant holders and Tethyan option holders.

5. Kizevak and Sastavci Drill Results

On 3 December, 2020 Adriatic reported assay results from seven diamond core holes at Kizevak and Adriatic's first drill hole at Sastavci. Kizevak continues to yield thick zones of polymetallic mineralisation, and confirmation drilling at Sastavci has been complemented by the discovery of a separate, large gold bearing structure.

Kizevak Highlights

KZDD-020 intercepted a broad, high-grade zone of mineralisation down dip and outside the historically defined mineralisation:

- 53 metres at 4.2% zinc, 2.0% lead, 21g/t silver and 0.4g/t gold from 100 metres, including
 - 18 metres at 9.0% zinc, 4.1% lead, 43g/t silver and 0.6g/t gold

KZDD-018 intercepted two broad and high-grade mineralised zones, demonstrating excellent grade continuity between previously reported, widely spaced holes:

- 22 metres at 4.3% zinc, 1.7% lead, 28g/t silver and 0.4g/t gold from 48m, including
 - 5 metres at 8.4% zinc, 2.9% lead, 59g/t silver and 0.7g/t gold, and
 - 4 metres at 9.4% zinc, 3.6% lead, 57g/t silver and 0.6g/t gold
- 33.5 metres at 3.0% zinc, 1.5% lead, 23g/t silver and 0.2g/t gold from 106m, including
 - 14.4 metres at 5.1% zinc, 2.7% lead, 45g/t silver and 0.2g/t gold

KZDD-017 was collared in mineralisation and intercepted two mineralised zones near surface in an area with no historic drilling:

- 18.5 metres at 2.4% zinc, 0.2% lead from 2m
- 34.5 metres at 2.2% zinc, 1.1% lead, 13g/t silver and 0.1g/t gold from 30.5m, including
 - 7 metres at 4.9% zinc, 2.7% lead, 31g/t silver and 0.2g/t gold

KZDD-021 intercepted a narrow, but high-grade structure along strike to the southeast from KZDD-017:

- 5.9 metres at 4.5% zinc, 2.2% lead, 26g/t silver and 0.3g/t gold from 29.5 metres

Sastavci Highlights

SSDD-002 has confirmed the presence of near surface polymetallic mineralisation reported historically, as well as a newly discovered, broad gold anomalous structure at depth:



- 9 metres at 4.4% zinc, 1.2% lead, 18g/t silver and 0.4g/t gold from 6m, including
 - 1.9 metres at 12.5% zinc, 4.8% lead, 72g/t silver and 1.7g/t gold
- 10 metres at 3.0% zinc, 1.0% lead, 17g/t silver and 0.5g/t gold from 28 metres, including
 - 1.8 metres at 10.7% zinc, 3.8% lead, 64g/t silver and 0.4g/t gold
- 31 metres at 1.3 g/t gold from 279 metres, including
 - 1.0 metre at 13.6 g/t gold

6. Settlement of Sandfire Litigation

On 3 November 2020 Adriatic advised that it had entered into a Deed of Settlement and Release ("the Deed") with Sandfire Resources Limited ("Sandfire") where both parties had agreed to settle the dispute relating to proceeding CIV 1820 of 2020 brought by Sandfire against Adriatic in the Supreme Court of Western Australia, as announced on 31 July 2020 ("Proceedings").

Sandfire agreed to pay Adriatic A\$8,649,360.35 in cash for the issue of 4,830,156 Chess Depository Interests in the Company ("Settlement Placement"), pursuant to Sandfire's anti-dilution right under the previously announced Collaboration and Strategic Partnership Deed.

Sandfire and Adriatic also agreed to having the Proceedings dismissed with no order as to costs.

On 24 December 2020 Adriatic advised that the Settlement Placement had completed and the shares had been allotted in the form of CDI's.

7. Summary of Expenditure Incurred

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

	GBP'000
Exploration & Evaluation (capitalised)	1,500
Exploration & Evaluation (expensed)	889
Staff costs	544
Administration and corporate costs	998
Property, plant and equipment acquisitions	83
Property, plant and equipment disposals	(2)
Other – VAT Refunds	<u>(9)</u>
Total	<u>£ 4,003</u>

During the Quarter, the Company also received £358k relating to Tethyan's cash balance on acquisition which has been reported in Item 2.5 of the Appendix 5B Cash Flow Report.

8. Payments to Related Parties

During the Quarter, Adriatic paid an aggregate total of £105k to Directors, or companies controlled by them, comprised of salaries, fees and reimbursement / recharge of corporate office facilities & associated



services used / provided by the Company. This is disclosed in Item 6 of the accompanying Appendix 5B Cash Flow Report.

9. Annual General Meeting

The Company held its Annual General Meeting on 6 November 2020. All resolutions were passed via a Poll. Full details of the results of the Poll were announced by the Company immediately following the meeting.

10. Change of Accounting Reference Date

On 23 November 2020, the Company changed its accounting reference date from 30 June to 31 December to align it with that of its subsidiary companies.

Accordingly, Adriatic has published audited accounts for the year ended 30 June 2020 and will subsequently publish audited accounts for the six months ending 31 December 2020. Thereafter, interim and annual reports will be published each year for the 6 months to 30 June and 12 months to 31 December respectively.



11. Tenement Holdings

In accordance with ASX Listing Rule 5.3.3 please find below the Company's tenements as at 31 December 2020.

	Concession document	Registration number	Licence holder	Company's interest in license holder	Concession name	Area (Ha)	Date granted	Expiry date
Bosnia and Herzegovina	Concession Agreement	No.:04-18-21389-1/13	Eastern Mining d.o.o.	100%	Veovaca1	107.69	12-Mar-2013	11-Mar-2038
					Veovaca 2	90.54	12-Mar-2013	11-Mar-2038
					Rupice-Jurasevac, Brestic	83.19	12-Mar-2013	13-Mar-2038
	Annex 3 - Area Extension	No.: 04-18-21389-3/18	Eastern Mining d.o.o.	100%	Rupice - Borovica	452.00	14-Nov-2018	13-Nov-2038
		No.: 04-18-21389-3/18	Eastern Mining d.o.o.	100%	Veovaca - Orti - Seliste - Mekuse	132.33	14-Nov-2018	13-Nov-2038
	Annex 5 - Area Extension	(1)	Eastern Mining d.o.o.	100%	Barice- Smajlova Suma-Macak	1,945	(1)	(1)
		(1)	Eastern Mining d.o.o.	100%	Droskovac - Brezik	288	(1)	(1)
		(1)	Eastern Mining d.o.o.	100%	Borovica – Semizova Ponikva	991	(1)	(1)
Serbia	Exploration License	310-02-1721/2018-02	Ras Metals doo	10% ⁽²⁾	Kizevak	1.84	03-Oct-2019	03-Oct-2022
	Exploration License	310-02-1722/2018-02	Ras Metals doo	10% ⁽²⁾	Sastavci	1.44	12-Mar-2013	03-Oct-2022
	Exploration License	310-02-1114/2015-02	Taor doo	100%	Kremice	8.54	21-Apr-2016	21-April-2022
	Exploration License	310-02-00060/2015-02	Deep Research doo	0% ⁽²⁾	Raska (Suva Ruda)	87.17	28-Dec-2015	18-Feb-2022
	Exploration License	310-02-1452/2016-02	Tethyan Resources doo	100%	Bucje	86.86	14-Feb-2018	14-Feb-2021

⁽¹⁾ Concession awarded as announced on 2 September 2020. The Company is the process of obtaining the exploration permit which will have an initial exploration period of 7 years with the possibility of extension for the further 3.5 years.

⁽²⁾ The Company holds an option agreement to acquire 100% of the license holder.



Authorised by, and for further information please contact:

Paul Cronin

Managing Director & CEO

info@adriaticmetals.com

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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 and authorising 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, LSE:ADT1) is a precious and base metals explorer and developer that owns the world-class Vares Silver Project in Bosnia & Herzegovina and holds licences across the Raska District in Serbia.

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

There have been no material changes to the assumptions underpinning the forecast financial information derived from the production target in the 15 October 2020 announcement and these assumptions continue to apply. There have been no material changes to the assumptions and technical parameters on the updated Mineral Resource Estimate announced on 1 September 2020 and these assumptions continue to apply.

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



COMPETENT PERSONS' REPORT

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

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



Appendix 5B

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

Name of entity

ADRIATIC METALS PLC

ABN

624 403 163

Quarter ended ("current quarter")

31 DECEMBER 2020

Consolidated statement of cash flows		(a) Current quarter GBP'000	(b) Year to date (6 months) GBP'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	0	0
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(889)	(889)
	(b) development	0	0
	(c) production	0	0
	(d) staff costs	(544)	(811)
	(e) administration and corporate costs	(998)	(1,594)
1.3	Dividends received (see note 3)	0	0
1.4	Interest received	0	1
1.5	Interest and other costs of finance paid	0	0
1.6	Income taxes paid	0	(2)
1.7	Government grants and tax incentives	0	0
1.8	Other - VAT refund	9	(21)
1.9	Net cash from / (used in) operating activities	(2,422)	(3,316)



Consolidated statement of cash flows		(a) Current quarter GBP'000	(b) Year to date (6 months) GBP'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	0	0
	(b) tenements	0	0
	(c) property, plant and equipment	(83)	(116)
	(d) exploration & evaluation (if capitalised)	(1,500)	(3,180)
	(e) investments	0	0
	(f) other non-current assets	0	0
2.2	Proceeds from the disposal of:		
	(a) entities	0	0
	(b) tenements	0	0
	(c) property, plant and equipment	2	2
	(d) investments	0	0
	(e) other non-current assets	0	0
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other (Tethyan's cash balance on acquisition)	358	358
2.6	Net cash from / (used in) investing activities	(1,223)	(2,936)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	11,055	12,208
3.2	Proceeds from issue of convertible debt securities	0	0
3.3	Proceeds from exercise of options	108	108
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(280)	(280)
3.5	Proceeds from borrowings	14,957	14,957
3.6	Repayment of borrowings	0	0
3.7	Transaction costs related to loans and borrowings	(768)	(768)
3.8	Dividends paid	0	0



Consolidated statement of cash flows		(a) Current quarter GBP'000	(b) Year to date (6 months) GBP'000
3.9	Other (Pre-acquisition loan to Tethyan)	0	(727)
3.10	Net cash from / (used in) financing activities	25,072	25,498

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,727	9,692
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,422)	(3,316)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,223)	(2,936)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	25,072	25,498
4.5	Effect of movement in exchange rates on cash held	95	311
4.6	Cash and cash equivalents at end of period	29,249	29,249

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	(c) Current quarter GBP'000	(d) Previous quarter GBP'000
5.1	Bank balances	29,249	7,727
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (provide details)	0	0
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	29,249	7,727



6.	Payments to related parties of the entity and their associates	(e) Current quarter GBP'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	105
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0
Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	(f) Total facility amount at quarter end GBP'000	(g) Amount drawn at quarter end GBP'000
7.1	Loan facilities	14,957	14,957
7.2	Credit standby arrangements	0	0
7.3	Other (please specify)	0	0
7.4	Total financing facilities	14,957	14,957
7.5	Unused financing facilities available at quarter end	0	
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
Funding from Queens Road Capital Investment Limited - \$20m USD (£14,957k), 8.5% interest, unsecured convertible debentures, maturity date December 2024. For further details see announcement dated 27 October 2020.			

8.	Estimated cash available for future operating activities	(h) GBP'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(2,422)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(1,500)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(3,922)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	29,249
8.5	Unused finance facilities available at quarter end (Item 7.5)	0
8.6	Total available funding (Item 8.4 + Item 8.5)	29,249
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	7.5
8.8	If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	



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

Answer:

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

Answer:

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

Answer:

Compliance statement

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

Date: 26 January 2021

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

Notes

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