

30 OCTOBER 2020

QUARTERLY ACTIVITIES REPORT

For the 3 months ended 30 September 2020

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

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

DIRECTORS

Mr Michael Rawlinson
NON-EXECUTIVE CHAIRMAN

Mr Paul Cronin
MANAGING DIRECTOR & CEO

Mr Peter Bilbe
NON-EXECUTIVE DIRECTOR

Mr Julian Barnes
NON-EXECUTIVE DIRECTOR

Ms Sandra Bates
NON-EXECUTIVE DIRECTOR

Ms Sanela Karic
NON-EXECUTIVE DIRECTOR

adriaticmetals.com

HIGHLIGHTS

- Updated Indicated and Inferred Mineral Resource estimate ("MRE") for Adriatic Metals' 100%-owned Rupice silver-gold-zinc-lead deposit in Bosnia & Herzegovina which now stands at:
 - 12.0Mt @ 149g/t Ag, 1.4g/t Au, 4.1% Zn, 2.6% Pb, 0.5% Cu, 25% BaSO₄ (reported above a cut-off grade of 50g/t AgEq) containing 58Moz Ag, 527koz Au, 489kt Zn & 312kt Pb
- The updated MRE represents a 32% increase in tonnes compared to the maiden 2019 Rupice MRE (using a 50g/t AgEq cut-off).
- 79% of the updated Mineral Resource is classified as Indicated.
- Approval received for a significant land extension of some 32.12km² to the Vares concession agreement area.
- Advanced the acquisition of Tethyan Resource Corp throughout the Quarter which subsequently completed on 8 October 2020.
- Cash balance at 30 September 2020 of £7.7m (A\$13.9m)¹

Adriatic Metals PLC (ASX:ADT, LON:ADT1) ("Adriatic" or the "Company") is pleased to provide the following Quarterly Activities Report ("QAR") that summarises the progress made and reported during the three months ended 30 September 2020 ("Q3" or the "Quarter").

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

"This has been another busy quarter at Adriatic and the team have worked tirelessly to deliver major milestones including an updated MRE at Rupice, closing of the Tethyan acquisition, and the Preliminary Feasibility Study completed post Quarter end, being the most notable. Behind these major milestones are dozens of young professionals, logging core, collecting and analysing geological and environmental samples, developing human resource plans and evolving our internal procedures and systems and many other activities, in anticipation of entering a new phase of our development – and all during a global pandemic. I appreciate the long hours and sacrifice our staff are making, but such is their individual and collective resolve to be successful, that our shareholders will continue to see the benefit of the rapid advancement of our projects and our company."

¹ Based on AUD: GBP exchange rate of 1.80036 at 30 September 2020



1. Updated Mineral Resource Estimate

On 1 September 2020 the Company announced an updated Mineral Resource estimate for the Rupice Silver Deposit in the Vares Silver Project, in Bosnia & Herzegovina, which has been completed by CSA Global Pty Ltd ("CSA Global"). The updated Indicated and Inferred Mineral Resource estimate was prepared by CSA Global in Perth and comprises 12.0 Mt at 149 g/t Ag, 1.4g/t Au, 4.1% Zn and 2.6% Pb, as set out in Table 1.

Table 1 - Rupice updated MRE by Classification

Rupice Mineral Resources, August 2020															
JORC Classification	Tonnes (mt)	Grades							Contained metal						
		Ag g/t	Zn %	Pb %	Au g/t	Cu %	Sb %	BaSO ₄ %	Ag Moz	Zn Kt	Pb Kt	Au Koz	Cu Kt	Sb kt	BaSO ₄ Kt
Indicated	9.5	176	4.9	3.1	1.6	0.5	0.2	29	54	466	294	500	52	22	2,732
Inferred	2.5	49	0.9	0.7	0.3	0.2	0.1	9	4	23	18	27	4	3	218
Total	12.0	149	4.1	2.6	1.4	0.5	0.2	25	58	488	312	526	56	24	2,949

Notes:

- Mineral Resources are based on JORC Code definitions.
- A cut-off grade of 50g/t silver equivalent has been applied.
- AgEq – Silver equivalent was calculated using conversion factors of 31.1 for Zn, 24.88 for Pb, 80.0 for Au, 1.87 for BaSO₄, 80.87 for Cu and 80.87 for Sb, and recoveries of 90% for all elements. Metal prices used were US\$2,500/t for Zn, US\$2,000/t for Pb, \$150/t for BaSO₄, \$2,000/oz for Au, \$25/oz for Ag, \$6500/t for Sb and \$6,500 for Cu.
- The applied formula was: $AgEq = Ag(g/t) * 90\% + 31.1 * Zn(\%) * 90\% + 24.88 * Pb(\%) * 90\% + 1.87 * BaSO_4(\%) * 90\% + 80 * Au(g/t) * 90\% + 80.87 * Sb(\%) * 90\% + 80.87 * Cu(\%) * 90\%$
- It is the opinion of Adriatic Metals and the Competent 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 and ongoing test work results.
- A bulk density was calculated for each model cell using regression formula $BD = 2.745 + BaSO_4 * 0.01793 + Pb * 0.06728 - Zn * 0.01317 + Cu * 0.1105$ for the halo domain, $BD = 2.7341 + BaSO_4 * 0.01823 + Pb * 0.04801 + Zn * 0.03941 - Cu * 0.01051$ for the fault zones and $BD = 2.7949 + BaSO_4 * 0.01599 + Pb * 0.05419 + Zn * 0.01169 + Cu * 0.06303$ for the low grade domain. Bulk density values were interpolated to the combined high-grade domain from 631 BD measurements.
- Rows and columns may not add up exactly due to rounding.

2. Extension of Vares Silver Project Concession Area

On 1 September the Company announced that the Government of Zenica-Doboj Canton had approved the Company's application for a significant land extension to the current Vares project Concession Agreement. The area covered by this new agreement is 32.12 km².

The total area now covered by Adriatic Metals' concessions in Bosnia and Herzegovina is 40.78 km².

3. Acquisition of Tethyan Resource Corp.

The Plan of Arrangement under the jurisdiction of the Supreme Court of British Columbia (the "Arrangement") pursuant to which Adriatic would acquire 100% of the issued share capital of Tethyan Resource Corp. (TSX-V:TETH) ("Tethyan") continued to progress during the Quarter with the following milestones achieved:

- 15 July 2020 - Tethyan obtained an interim order for the Arrangement
- 17 July 2020 - Tethyan shareholder information circular dispatched
- 18 August 2020 - Arrangement approved by Tethyan shareholders
- 21 August 2020 - Tethyan receives 2nd court approval of the Arrangement



- 30 September 2020 – Tethyan met the final substantive Arrangement Condition Precedent

On 8 October 2020, subsequent to the Quarter end, the Company announced that it had completed the acquisition of Tethyan, pursuant to which the Company had allotted 13,278,937 new ordinary shares and issued 4,128,633 warrants and 469,779 options to former Tethyan warrant and option holders.

4. Board Changes

On 9 July 2020 John Richards resigned from the board of the Company. Mr Richards was appointed as a Non-Executive Director of Adriatic following his nomination by Sandfire Resources Limited "SFR", under the terms of the Collaboration and Strategic Partnership Deed between Adriatic and SFR. SFR advised the Company that they have withdrawn their nomination of Mr Richards.

On 3 August 2020 the Company announced the appointment of Ms Sanela Karic as a Non-Executive Director of the Company. Ms Karic, a Bosnian national, brings a wealth of experience, with over 15 years' experience as a lawyer and a career spanning corporate affairs, mergers & acquisitions and human resources. Ms Karic is a graduate of the University of Sarajevo, and is currently the Executive Director for Legal Affairs and Human Resources at the Prevent Group, Bosnia's largest diversified industrial corporation. She also holds the position of Chief Executive Officer at Sanitex, a subsidiary company of the Prevent Group, specialising in the manufacturing of medical and hygiene products for export across the European Union.

Mr Peter Bilbe, Non-Executive Chairman, also stepped down from the role of Chairman, but remains a Non-Executive Director, and Michael Rawlinson, who has served on the Board since early 2019, was appointed to the role of Non-Executive Chairman.

As a function of this change, the Board Committees will be reconstituted with the following memberships:

Audit & Risk Committee	Remuneration & Nominations Committee	Environmental, Social & Governance Committee
Sandra Bates*	Peter Bilbe*	Sanela Karic*
Michael Rawlinson	Sandra Bates	Peter Bilbe
Julian Barnes	Julian Barnes	Michael Rawlinson

* Denotes Chairperson.

5. Litigation Proceedings Commenced by Sandfire Resources

On 31 July 2020 the Company advised that Sandfire Resources Limited ("Sandfire") had commenced legal proceedings in the Supreme Court of Western Australia against the Company. Sandfire's purported claims include a declaration that Adriatic has breached the Collaboration and Strategic Partnership Deed ("Deed") with Sandfire, the Company's largest shareholder.

Sandfire alleges that it was entitled to acquire a total of 4,127,139 shares in Adriatic, in the form of CHESS Depository Interests, at various issue prices pursuant to its anti-dilution right in the Deed.

The Company is vigorously defending these claims and will keep its securityholders informed of any material developments in this matter.



6. 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)	1,680
Property, plant and equipment	33
Development expenditure	16
Staff costs	267
Administration and corporate costs	580
Other	<u>31</u>
Total	<u>£ 2,607</u>

During the Quarter, the Company advanced €0.8 million to Tethyan under a convertible loan agreement. The sterling equivalent of the loan advance has been reported in Item 3.9 of the Appendix 5B Cash Flow Report

7. Payments to Related Parties

During the Quarter, Adriatic paid an aggregate total of £100k 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.

8. Tenement Holdings

In accordance with ASX Listing Rule 5.3.3 please find below the Company's tenements as at 30 September 2020, all of which 100% owned by the Company's wholly owned subsidiary Eastern Mining d.o.o.

Concession document	Registration number	Concession name	Area (Ha)	Date granted	Expiry date
Concession Agreement	No.:04-18-21389-1/13	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
Anne x 3 - Area Extension	No.: 04-18-21389-3/18	Rupice - Borovica	452.00	14-Nov-2018	13-Nov-2038
	No.: 04-18-21389-3/18	Veovaca - Orti - Seliste - Mekuse	132.33	14-Nov-2018	13-Nov-2038
	*	Barice- Smajlova Suma-Macak	1,945	*	*



Anne x 5 - Area Extension	*	Drokovac - Brezik	288	*	*
	*	Borovica – Semizova Ponikva	991	*	*
Total			4,089.75		

* Concession awarded as announced on 2 September 2020. The Company is in 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.

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:

Adriatic Metals PLC

Paul Cronin / Emma Chetwynd Stapylton

Tel: +44 (0) 203 950 9138

Tavistock Communications Limited

Charles Vivian

Edward Lee

Gareth Tredway

Tel: +44 (0) 7977 297903

Tel: +44 (0) 7736 220565

Tel: +44 (0) 7785 974264

The Capital Network

Julia Maguire/Lelde Smits

Tel: +61 2 8999 3699

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.



Rule 5.5

Appendix 5B

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

Name of entity

ADRIATIC METALS PLC

ABN

624 403 163

Quarter ended ("current quarter")

30 SEPTEMBER 2020

Consolidated statement of cash flows		(a) Current quarter GBP'000	(b) Year to date (3 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)	0	0
	(b) development	(16)	(16)
	(c) production	0	0
	(d) staff costs	(267)	(267)
	(e) administration and corporate costs	(580)	(580)
1.3	Dividends received (see note 3)	0	0
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	0	0
1.6	Income taxes paid	(2)	(2)
1.7	Government grants and tax incentives	0	0
1.8	Other - VAT (paid) / refunded)	(30)	(30)
1.9	Net cash from / (used in) operating activities	(894)	(894)



Consolidated statement of cash flows		(a) Current quarter GBP'000	(b) Year to date (3 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	(33)	(33)
	(d) exploration & evaluation (if capitalised)	(1,680)	(1,680)
	(e) investments	0	0
	(f) other non-current assets	0	0
2.2	Proceeds from the disposal of:		
	(a) entities	0	0
	(b) tenements	0	0
	(c) property, plant and equipment	0	0
	(d) investments	0	0
	(e) other non-current assets	0	0
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other (provide details if material)	0	0
2.6	Net cash from / (used in) investing activities	(1,713)	(1,713)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,153	1,153
3.2	Proceeds from issue of convertible debt securities	0	0
3.3	Proceeds from exercise of options	0	0
3.4	Transaction costs related to issues of equity securities or convertible debt securities	0	0
3.5	Proceeds from borrowings	0	0
3.6	Repayment of borrowings	0	0
3.7	Transaction costs related to loans and borrowings	0	0
3.8	Dividends paid	0	0



Consolidated statement of cash flows		(a) Current quarter GBP'000	(b) Year to date (3 months) GBP'000
3.9	Other (provide details if material)	(727)	(727)
3.10	Net cash from / (used in) financing activities	426	426

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	9,692	9,692
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(894)	(894)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,713)	(1,713)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	426	426
4.5	Effect of movement in exchange rates on cash held	216	216
4.6	Cash and cash equivalents at end of period	7,727	7,727

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	7,727	9,692
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)	7,727	9,692



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	100
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	0	0
7.2	Credit standby arrangements	0	0
7.3	Other (please specify)	0	0
7.4	Total financing facilities	0	0
7.5	Unused financing facilities available at quarter end		
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.		

8.	Estimated cash available for future operating activities	(h) GBP'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(894)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(1,680)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(2,574)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	7,727
8.5	Unused finance facilities available at quarter end (Item 7.5)	0
8.6	Total available funding (Item 8.4 + Item 8.5)	7,727
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	3.0

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: 29 October 2020

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.