Adriatic Metals

ANNUAL REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

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 preliminary feasibility study announced on 15 October 2020 indicate a post-tax NPV_8 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.

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

ANNUAL REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

HIGHLIGHTS OF THE 6 MONTHS ENDED 31 DECEMBER 2020

Mineral Resource Estimate (MRE)

Updated MRE completed in September 2020 for the Rupice Deposit which now stands as 12.0Mt @ 149g/t Ag, 1.4g/t Au, 4.1% Zn, 2.6% Pb, 0.5% Cu, 25% $BaSO_4$ (reported above a cut-off grade of 50g/t AgEq) containing 58Moz Ag, 527koz Au, 489kt Zn & 312kt Pb reflecting a 32% increase in tonnes compared to the maiden 2019 Rupice MRE.

Preliminary Feasibility Study (PFS)

The Vares Silver Project PFS was completed in October 2020 based on significantly more robust inputs over the 2019 Scoping Study. PFS highlights include as NPV_8 of US$1,040 million, IRR of 113%, low up front project capital requirement of US$173 million and average annual EBITDA of US$251 million in years 1-5.

US$28 million Financing

The Company closed financings totalling US$ 28 million during Q4 2020 ensuring a strong cash position going into 2021.

CONCESSION RIGHTS AND PERMITS

- 32km² extension of the existing Vares Silver Project Concession Agreement area approved by the Government of the Zenica-Doboj Canton.
- Received the urban planning permit for the Veovaca area of the Vares Silver Project.
- Submitted the application for the Veovaca exploitation permit which was subsequently received in January 2021.
- Submitted the application for environmental permit for the Rupice area.
- Acquisition of highly prospective land package in southern Serbia, containing two historic Zinc-Silver mining operations.

FINANCIAL

- Issued a US$20 convertible bond to Queens Road Capital during Q4 2020.
- £6.2m equity private placement to European Bank of Construction and Redevelopment completed Q4 2020.
- Cash balance at 31 December 2020 of £29.6 million, ensuring the group is fully financed through to completion of the Vares Silver Project Feasibility Study.

CORPORATE

- Completed the acquisition of Tethyan Resource Corp in October 2020.
- Entered into a Settlement deed with Sandfire Resources Limited in November 2020 raising A$8.5 million via a Settlement Placement.
- Exercised an option to acquire the remaining 90% of Ras Metals d.o.o. in Serbia in February 2021 not previously held by the Company.

GOVERNANCE

- Board stability and management evolution continues to align management skills with operational objectives and increase independence of the Board.
- Board Evaluation exercise completed.
- Corporate risk register updated.
- Established an Environmental, Social & Governance (ESG) Committee and implement a number of policies including establishing a reporting framework for ESG matters, whistleblower policy and establishment of the Adriatic Foundation.
- Remuneration policies updated with short and long term incentives to ensure alignment of employees at all levels around a clear set of common goals and shareholder value creation.

PREPARING FOR MINE DEVELOPMENT

CHAIRMAN'S STATEMENT

Michael Rawlinson,
Chairman

"I am pleased to be able to report that in the six months since our previous annual report we have continued to make considerable progress towards our main objective of exploring mineral resource opportunities that have the potential to deliver growth for the benefit of Adriatic's shareholders.

The team have made great progress on the Vares Project with an updated mineral resource estimate and a very positive Preliminary Feasibility Study and completed the acquisition of Tethyan Resource Corp as part of our long-term strategy to become a multi-mine producer notwithstanding the challenges presented by the ongoing COVID-19 pandemic."

Key Milestones

The Company has achieved several important milestones during the period including the completion of the Preliminary Feasibility Study, announced on 15 October 2020, for the Vares Silver Project. This indicated an impressive project NPV_8 of US$1,040 million net representing a 13% increase over the scoping study outcome and a US$ 5 million reduction in the estimated project capital cost requirement to US$173 million compared to the scoping study. The PFS, which was based on an updated mineral resource estimate for the Rupice deposit which was also completed in the period, represents a further de-risking of the project and reinforces the solid economics of the Vares Silver Project which is increasingly recognized as a world class asset amongst the investment community and peers.

The Environmental Permit was issued for the Veovaca mine, processing plant and tailing facility, and the Urban Planning Permit was issued by the Federal Ministry for Spatial Planning in October 2020. This strong progress on permitting has been made possible through the enthusiastic, dedicated and professional support shown by our partners in the communities and in government at local, cantonal and federal levels.

Following completion of the PFS, the team has immediately transitioned into the various workstreams necessary to complete the feasibility study. This has also seen a number of additional appointments to further build out our in-house technical capability in anticipation of commencing construction during the second half of 2021.

We are also excited that Adriatic Metals' application for a significant land extension to its current Concession Agreement was approved on 2 September 2020. The new concession area is highly prospective and adds some 32.12km^2 of land in close proximity to the existing Rupice and Veovaca deposits of the Vares Project. We look forward to drilling in the new areas of the concession during 2021.

Corporate Developments

On 8 October 2020, the Company completed the acquisition of TSX-V listed Tethyan Resource Corp. (Tethyan) via a plan of arrangement in British Columbia. Tethyan's principal asset at the time of acquisition was an option agreement to acquire the entire share capital of Ras Metals d.o.o., holder of the exploration licenses for both Kizevak and Sastavci which form the Raska Project in Serbia. On 22 February 2021 we exercised our rights under the option agreement acquiring Ras Metals d.o.o. so that we now control 100% of the project making clear our intentions towards accelerating the advancement of the Raska Project.

Impact of COVID-19

The global COVID-19 pandemic required us, like many of our peers, to continue to adapt our operational plans and maintain the strict safety protocols to protect our staff and our local community during the period that were implemented during the first half of 2020. Our operational productivity continues to be only moderately affected and the Company has been able to continue to deliver on its key milestones. Whilst there are still certain restrictions imposed on our activities by the crisis, we are confident of our ability to adapt to this dynamic situation and continue to deliver the Vares Silver Project on time.

As illustrated by the successful completion of the £6.2 million private placement to EBRD and US$ 20 million convertible bond issue to Queens Road Capital during Q4 2020, we do not anticipate COVID-19 having a detrimental effect on our ability to raise finance for our future activities.

The cash balance at 31 December 2020 of £29.6 million ensures the group is fully financed through to completion of the feasibility study.

Board and Management Changes

A substantial strengthening and rounding out of the Board and the executive management team, which began earlier in the year, was completed during the period. The Board now consists of one executive director and five independent Non-Executive Directors with good diversity in gender, skills and nationalities.

We have strengthened our executive management team over the period as we plan for the transition from explorer to developer. The Board remains committed to good corporate governance, the Quoted Company Alliance's Corporate Governance Code (QCA Code) and to aligning the skills and experience of the Directors and management with the needs of the Vares Silver Project as it advances toward production.

Mr. John Richards, a Non-Executive Director appointed under the terms of the Collaboration and Strategic Partnership Deed between Adriatic and Sandfire Resources Limited, stepped down on 8 July 2020 following the withdrawal of Sandfire's nomination of him. Sandfire have not nominated a replacement for Mr. Richards, but are entitled to do so as their shareholding remains above 10%. We thank Mr. Richards for his contribution whilst serving our board.

Dominic Roberts joined the Company as Head of Corporate Affairs in July 2020. Mr. Roberts has more than 25 years' experience operating in the Balkans and was previously company Operations Director at Mineco, one of the largest base metal miners in the Balkans with five operating mines.

On 3 August 2020, Ms. Sanela Karic, a Bosnian national, who brings with her over 15 years' experience as a lawyer and a career spanning corporate affairs, mergers & acquisitions and human resources was also appointed as an independent Non-Executive Director.

Finally, Peter Bilbe stepped down as Non-Executive Chairman on 3 August 2020 having done a tremendous job of guiding the Company from before its listing on the ASX in May 2018 through a period of unprecedented growth and its LSE listing in November 2019. We are all very grateful for his leadership and advice, and we continue to enjoy working with him as he remains on the Board as an independent Non-Executive Director.

In addition, the Company continues to build out the team in the UK, Bosnia and Serbia with the appointment of Thomas Horton as Head of Business Development and Investor Relations, Mark Richards as Logistics and Procurement Manager for the Vares Project and Jelena Aleksic as General Manager in Serbia.

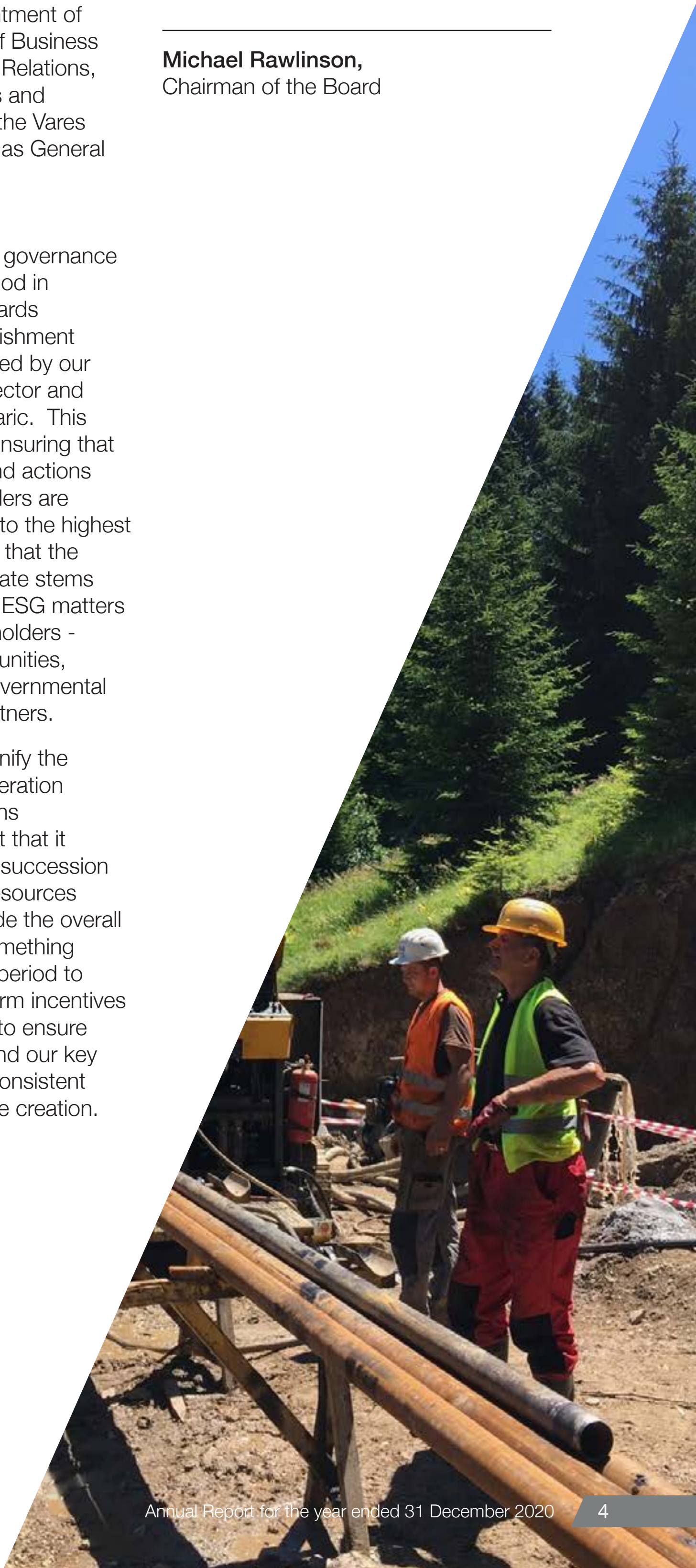
Governance Changes

We have strengthened our governance committees during the period in anticipation of a move towards production, with the establishment of a new ESG Committee led by our newest Non-Executive Director and Bosnian national Sanela Karic. This committee is tasked with ensuring that the policies, procedures and actions that relate to key stakeholders are handled transparently and to the highest standards. We understand that the Company's license to operate stems from its ability to negotiate ESG matters successfully with its stakeholders - be they employees, communities, customers, suppliers or governmental and non-governmental partners.

We have also decided to unify the composition of the Remuneration Committee and Nominations Committees. The board felt that it was important to consider succession planning and the human resources plan to production alongside the overall remuneration strategy - something which was updated in the period to formalise short and long term incentives for management and staff to ensure alignment at all levels around our key near term objectives and consistent long term shareholder value creation.

On behalf of the Board I would like to thank the management and employees for their ongoing determination and hard work which has resulted in a tremendous number of positive achievements during the period delivered safely and with probity and good humour. I look forward to 2021 being another exciting year of progress.

Michael Rawlinson,
Chairman of the Board



THE COMPANY IS COMMITTED TO SETTING HIGH STANDARDS

STRATEGY

Adriatic is a base and precious metals developer and explorer focused on the Balkan region. The Company's strategy is to build a European-focused mining company.

In order to achieve long-term growth, along with delivering shareholder returns, the Company is focused on creating value from its current asset portfolio, through exploration and development, as well as generating a pipe-line of projects through opportunistic, value-accretive acquisitions. This was demonstrated most recently by the acquisition of Tethyan's Serbian brownfield development projects, Kizevak and Sastavci, and its large prospective landholding on the Tethyan mineral belt adding to Adriatic's asset portfolio during the Period.

The Company will continue to build and further strengthen a multi-disciplinary, experienced team focused on delivering this vision.

In addition, the Company is committed to setting a high standard in responsible extraction of its mineral resources. Core to its strategy is setting a high benchmark for ESG standards, not only compared to its in-country peers but also across the mining industry globally.

In the short to medium term, Adriatic's strategy will continue to leverage its competitive advantages, of:

- its early mover advantage in Bosnia. The Company is the only publicly listed mining concession holder in the country, where it also has the largest granted mineral concession. Bosnia has a rich mining history, a pro-mining outlook, highly prospective geology and a stable fiscal and political system;
- a capable and multi-disciplinary management team which includes well regarded and experienced mining professionals with a track record of project delivery and operating experience;
- well-funded financial position for completing its planned activities;
- a strong commitment to contribute to the sustainable development of the communities associated with our operations and to ethical conduct and a focus on the professional management of Environmental, Social and Governance aspects of the project; and
- World-class Project economics, as determined by the 2019 Vares Silver Project Scoping Study, and subsequently confirmed by the 2020 PFS.

BUSINESS MODEL

The primary focus of Adriatic is the development of the Company's flagship asset, the Vares Silver Project in Bosnia, followed by the exploration of the Zinc-Silver Raska Project in Serbia.

The Vares Silver Project is located approximately 50km north of the Bosnian capital of Sarajevo, in the district of Vares. The Vares Silver Project comprises of two deposits, namely; Veovaca – a brown-field open pit mine – and Rupice - a silver dominant underground deposit - which exhibits exceptionally thick mineralisation with high grades of precious and base metals. Mineral Resources have been estimated at the Veovaca and Rupice deposits, and the Company is confident that the underexplored region surrounding the Vares Project offers significantly more exploration potential.

The Company will continue its exploration and development activities across the region, and will look to acquire surrounding, strategic land holdings if deemed sufficiently prospective. To date, exploration activities have only been focused around the Rupice and Veovaca deposits. This includes geophysical programmes, LIDAR survey, soil geochemical programs, enhanced ground penetrating radar and diamond core drilling. Following evaluation of the corridor between Rupice and Veovaca, as well as South East of Veovaca, 32km^2 of new concession areas were granted in October 2020. This takes the total concession area for the Vares Project up to 41km^2.

Adriatic, through its wholly owned subsidiary company, Eastern Mining, owns 100% of all the concessions. Eastern Mining is the first company to undertake any exploration in the surrounding Vares District since the late 1980s.

A Scoping Study on the Vares Silver Project was released in November 2019, outlining a robust, high-margin project with a low up-front capital expenditure. This was followed by a Pre-Feasibility Study in October 2020, which not only confirmed the robust economics of the scoping study, but also saw the economics improved.

The Company continues its exploration at the Zinc-Silver Raska Project in Serbia, since its acquisition of Tethyan Resource Corp. – completed in October 2020. To date, exploration activities have been focused around the Kizevak and Sastavci deposits. This includes geophysical programs, LIDAR survey, soil geochemical programmes and diamond core drilling.

Further exploration programmes have been prepared and budgeted across both Projects; these include, but are not limited to, drilling and assaying, resource modelling, metallurgical testing and potential mine engineering studies as well as concession administration, general administration and geological services. The results of the exploration programs determine the economic viability and possible timing for the commencement of further work including engineering studies and possible development of the Projects.

Adriatic's development programmes, both at Vares and Raska, rely on leveraging the existing infrastructure, built during prior mining operations. This includes power, water, rail, sealed roads, accommodation facilities, service providers and international airports.

Since its IPO on the Australian Securities Exchange (ASX) Adriatic has been able to successfully access equity markets. The company undertook a US$28 million financing in October 2020, which was provided by EBRD and Queens Road Capital. The Group has used this funding primarily to continue the advancement of the Vares Silver Project toward the completion of the DFS and construction, as well as continue exploration at the Raska Zinc-Silver Project. The Group is now actively engaging with potential debt and alternative finance providers for the construction of the Vares Silver Project, with the aim of minimising further equity dilution for its shareholders.

SUBSTANTIAL INVESTMENT IN INFRASTRUCTURE

FUTURE OPERATIONS

Adriatic completed the Preliminary Feasibility Study for the Vares Silver Project and is now progressing the feasibility study with a view to commencing construction during H2 2021. Based on the current studies, once production commences, which is targeted to take place during 2023, the main operations will include:

Production and processing:

A c.800,000 tonne per year underground mine will be developed at Rupice, followed by a c.800,000 tonne per year open pit operation at Veovaca. During the first 5 years of operations average production rates will be c.170,000 tonnes per year of silver/lead concentrate, zinc concentrate and pyrite concentrate and c.150,000 tonnes per year of barite for sale to international smelters and end users. The mine life, based on the current mineral resource estimates, is 14 years

Infrastructure:

The mine will require a substantial investment in infrastructure including:

- Ventilation, primary crusher and other surface infrastructure at Rupice to support underground mining.
- Haul road to transport ore from Rupice to Veovaca.
- Process plant comprising milling, sequential floatation, regrind, thickening and filtration, tailing storage facility and administration buildings at Veovaca.
- Haul road to deliver product to the railhead in Vares.

Maintenance:

A substantial maintenance team will be required to service both the mining equipment, process plant equipment, road haulage fleet and general vehicle fleet.

Delivery and transportation:

- Approximately 21 trucks delivering ore from Rupice to Veovaca.
- Approximately four trucks delivering product containers to the railhead.
- Approximately two trains every day delivering concentrates to port

Sales and marketing:

- A team marketing our products to off-takers and end-users.

Suppliers and contractors:

- Current expectations are that mining will be carried out by a contractor.
- We will have a range of local and international suppliers of everything from reagents and consumables to spare parts.

Technical services and assay laboratory:

- A laboratory on site for monitoring and controlling process plant operations.
- A metallurgical team constantly looking at process methodology improvements.
- On site mine geology team.

Employees:

Employment for approximately 350 people covering all aspects of the operation including, mining, processing, logistics and administration.

Environmental, occupational, health and safety

- Dedicated departments responsible for maintaining Adriatic's absolute commitment to safe operations and the principle of 'do no harm'.
- Monitoring of HSE obligations and performance with appropriate framework of policies and management systems in place.
- Routine engagement and consultation with local communities, government and other civil society partners.

DIVERSITY

Adriatic is committed to workplace diversity which includes but is not limited to gender, age, ethnicity and cultural background.

The Company's Diversity Policy defines initiatives which assist the Company in maintaining and improving the diversity of its workforce. The Board has also set formal diversity objectives from 2021 which are included as KPIs in the Company's Short Term Incentive Plan (STIP). The Company did not previous have formal diversity objectives given its stage of development at that time but has nevertheless achieved the following diversity in the workplace:

Proportion of women:

Organisation as a whole	26.6%
Executive Management Team	Nil
Board	33.3%

Proportion with a registered disability:

Organisation as a whole	1.1%

SOCIAL & HUMAN RIGHTS

Following the establishment of the ESG committee during the period the Company has adopted important policies committing to respect human rights and its core project stakeholders; the communities and environments in which it operates.

Amongst others are a commitment to support the Universal Declaration of Human Rights and the United Nations' Guiding Principles on Business and Human Rights and to recognise and support the International Labour Organization's core labour standards. At individual project level the Company has continued to adopt best international practice as well as maintaining national compliance.

The entry of the European Bank for Reconstruction & Development (EBRD) on to the Company's share register via a private placement in November 2020 further reinforces the Company's adherence to operating in accordance with EBRD's ten Performance Requirements. As a fundamental part of the EBRD's investment an "Environmental and Social Action Plan" was entered into, which details the further development of the Company's already strong commitment to both social and human rights.

As the Vares project moves towards a construction decision and the start of its procurement programme, these rights are at the core of policy development. Through responsible sourcing initiatives or requiring suppliers to adopt similar standards as the Company (allocating resources to help smaller, local suppliers to achieve these where necessary) the commitment to "do the right thing" is robust and permeates from the Board down to the most junior of its staff.

Looking forward to 2021 and the requirement to start recruiting the future workforce of an operating mine the Company is committed to embedding these values in both its corporate culture and its practices.

COVID-19 IMPACT

The ongoing COVID-19 pandemic has impacted both communities near the project and the Company's operations. However, steps were quickly taken by management to mitigate the impact. COVID-19 prevention measures were implemented, including a policy statement issued to all staff. Distancing instructions and personal protective equipment were given to all staff, including contractors. These measures were subsequently augmented by mandatory temperature checks at entry to the administrative site.

Through the community engagement conducted during the Environmental and Social Impact Assessment (ESIA) works, the Company's staff were able to provide advice and support to the communities near the project and expanded this by providing free protective equipment to Vares school and purchasing a disinfection tunnel for the town's health clinic. Stakeholder engagement since the start of the pandemic has been guided by the advice issued by EBRD, including the hosting of an open-air public consultation meeting for the Rupice environmental license.

Although there are ongoing restrictions to international travel and sporadic regional lockdowns in response to spikes in COVID-19 cases our operations are in general returning to pre-COVID times. Our exploration activities are continuing substantially unaffected, with supplies being delivered on time.

All activities related to development activities including metallurgical test work, geochemical domaining and feasibility study are ongoing and largely unaffected by the current crisis. For the Environmental and Social Impact Assessment, where some foreign based consultants had been expected to conduct site visits for various streams of work, these have been substituted by local resources under the guidance of our international consultants, with no resulting impact on the quality of work.

The Company continues to work closely with various government ministries in Bosnia to ensure progress is made with public hearings and other interactions with local communities in connection with permitting and other development activities in a COVID-safe manner. We appreciated the efforts of all stakeholders to progress our various applications during a difficult period for the Bosnian government which has resulted most recently in the Company receiving the Urban Planning Permit in October 2020.

To date, Bosnia, & Herzegovina has reported approximately 160,000 confirmed cases of COVID-19 and approximately 6,000 deaths. Serbia has reported approximately 500,000 confirmed cases of COVID-19 and approximately 4,500 deaths. Whilst relatively small when compared to other European countries, recent increases in new cases may result in further restrictions on the movement of people. The Company has robust measures and contingency plans if such restrictions are imposed.

ESTABLISHED INTERNAL CONTROLS FRAMEWORK

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is responsible for putting in place a system to manage risk and implement internal controls. The Board has considered mechanisms by which the business and financial risks facing the Group are managed and reported to the Board. The principal business and financial risks have been identified and control procedures implemented. The Board acknowledges it has responsibility for reviewing the effectiveness of the systems that are in place to manage risk.

The Board has delegated certain authorities of risk management to the Audit & Risk Committee, which has its own formal terms of reference. The Audit & Risk Committee meets at least twice a year to consider presentations by the Auditors and drafts of the Annual and Interim Financial Statements, and to assess the effectiveness of the Group's system of internal controls. The Audit & Risk Committee was chaired by Michael Rawlinson until his appointment as Chairman of the Board on 3 August 2020 and is now chaired by Sandra Bates; both of whom have recent and relevant financial and business experience. All of the members of the Committee are non-executive.

The Audit & Risk Committee is responsible, inter alia, for:

- Reviewing the Company's risk management framework at least annually in order to satisfy itself that the framework continues to be sound and to determine whether there have been any changes in the material business risks the Company faces.
- Ensuring that the material business risks do not exceed the risk appetite determined by the Board.
- Overseeing the Company's risk management systems, practices and procedures to ensure effective risk identification and management, and compliance with internal guidelines and external requirements.

a. Financial controls

The Company has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the senior management team, the Audit & Risk Committee and the Board in light of an ongoing assessment of significant risks facing the Company.

The Board is responsible for reviewing and approving overall Company strategy, budgets and plans. Monthly results and variances from plans and forecasts are reported to the Board.

The Audit & Risk Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, and operational and financial controls.

There are procedures for budgeting and planning, for monitoring and reporting to the Board business performance against those budgets and plans, and for forecasting expected performance over the remainder of the financial period. These cover cash flows, capital expenditures and balance sheets.

The Audit & Risk Committee reviews the adequacy of accounting and financial controls together with the implementation of any associated recommendations of the external auditor.

b. Internal controls

The Board is responsible for ensuring that a sound system of internal control exists in order to safeguard shareholders' interests and the Company's assets. In conjunction with the Audit & Risk Committee it is responsible for the regular review of the effectiveness of the systems of internal control. Internal controls are necessarily designed to manage risk rather than eliminate it. The key features of the system that operated during the period are:

- Regular Board meetings to consider the schedule of matters reserved for Directors' consideration;
- A risk management process;
- An established organisation with clearly defined lines of responsibility and delegation of authority;
- Appointment of staff of the necessary calibre to fulfil their allotted responsibilities;
- Comprehensive budgets, forecasts and business plans, approved by the Board, reviewed on a regular basis, with performance monitored against them and explanations obtained for material variances;
- An Audit & Risk Committee of the Board considers significant financial control matters as appropriate;
- Documented whistle-blowing policies and procedures.

c. Risk management policy

The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

The Board has delegated to the Audit and Risk Committee responsibility for implementing the risk management system.

The Audit and Risk Committee submits particular matters to the Board for its approval or review.

Among other things the Audit and Risk Committee is responsible for:

- overseeing the Company's risk management systems, practices and procedures to ensure effective risk identification and management, and compliance with internal guidelines and external requirements;
- assisting management to determine whether the Company has any material exposure to economic, environmental and/or social sustainability risks and, if it does, how it manages, or intends to manage, those risks;
- assisting management to determine the key risks to the business, and prioritising work to manage those risks; and
- reviewing reports from management on the efficiency and effectiveness of risk management and associated internal compliance and control procedures.

The Company's process of risk management and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance and improving the effectiveness of risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

To this end, comprehensive practices are in place that are directed towards achieving the following objectives:

- compliance with applicable laws and regulations:
- preparation of reliable published financial information; and
- implementation of risk transfer strategies where appropriate (e.g. insurance).

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required to assess risk management and associated internal compliance and control procedures and report back to the Audit & Risk Committee at least annually. The Board reviews assessments of the effectiveness of risk management and internal compliance and control at least annually.

d. Principal Risks

The following risks are those that the Group considers could have the most serious adverse effect on its performance and reputation.

Early stage status and funding requirements

The Company is currently an early stage mineral exploration business and all of the Group's activities will be likely directed towards exploration and, if warranted, the subsequent development of its existing projects and the search for new mineral deposits to maintain a pipeline of projects.

Significant capital investment will be required and losses are expected to continue in the near future until the Company has successfully transitioned into production. The Company has successfully raised funds in the equity markets during the year and given the strong economics of the Vares Silver Project and market support, we remain confident in our ability to raise further finance for our ongoing activities as necessary. We do not anticipate COVID-19 having a detrimental effect on this.

PRINCIPAL RISKS AND UNCERTAINTIES
- CONTINUED

Commodity pricing

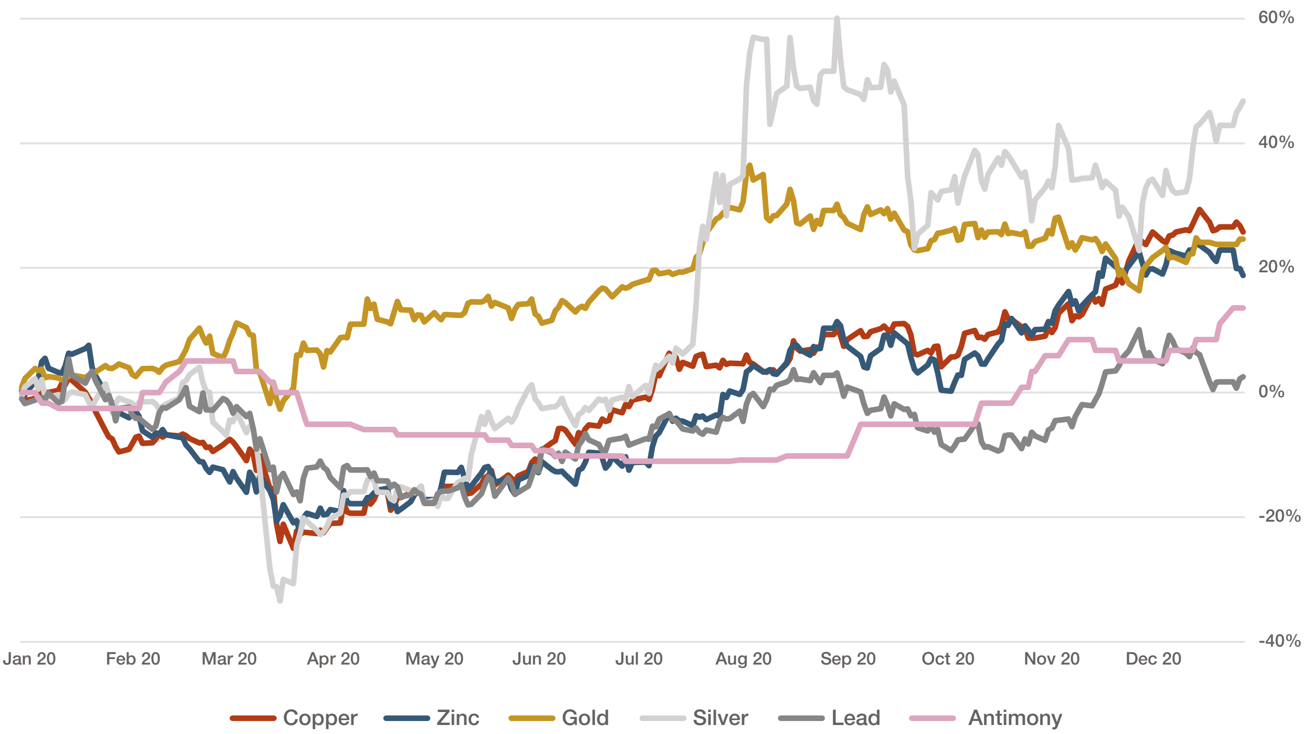
The October 2020 Preliminary Feasibility Study indicated the contribution to income by element from concentrate sales, based on pricing assumptions at that time, to be as summarised in the table below:

Contribution	Total	Zn Conc	Ag/Pb Conc	Ba Conc	Py Conc
Zinc	24%	75%	0%	-	8%
Lead	14%	0%	25%	-	0%
Copper	8%	0%	13%	-	0%
Barite	8%	0%	0%	100%	0%
Gold	14%	11%	16%	-	55%
Silver	31%	14%	45%	-	37%
Antimony	1%	0%	1%	-	0%
Total	100%	36%	57%	8%	3%

The Company seeks to mitigate commodity pricing risks by attracting long term investors, routine monitoring of commodity pricing trends, exploration project results and development study outcomes to ensure efficient use of capital.

The price performance during the year of relevant commodities for the Vares Silver Project are shown in the graph below. Following the strengthening of precious metals prices in Q2 2020 these are now expected to contribute more than 50% of revenue at current prices.

Commodity price performance



79
Au
Gold
196.967

Gold

The gold price has been volatile over the past year but appreciated 25% over the 12 months from 1 January 2020. The precious metal experienced a post-Covid rebound of 28% from a low of US$1,474/oz to US$1,888/oz as of end of December 2020.

47
Ag
Silver
107.868

Silver

Has seen a similar volatility to that of gold but appreciated by a significantly larger amount of 47% over the 12 months from 1 January 2020. Out of all the metals considered here, silver was most impacted by the Covid shock in mid-March with the price dropping by nearly 30% to a low of US$12.0/oz. Since this low point the price has recovered strongly by over 120% to US$26.5/oz as of end December 2020.

29
Cu
Copper
63.546

Copper

Since the 12 months from 1 January 2020 the copper price has pared losses at the beginning of 2020 ending up 26% on strong demand from China and optimism on a broader post-pandemic rebound in industrial activity. Copper prices fell by c. 10% during the Covid shock in March reaching a low of US$4,618/t. Since then the price has recovered by 68% to US$7,742/t as of end December 2020.

30
Zn
Zinc
65.39

Zinc

Zinc has appreciated by 19% in the 12 months from 1 January 2020. The price was on a steady decline even before the Covid shock in March. However, after hitting a low of US$1,774/t at the end of March the metal has seen a strong and steady recovery of over 53%, ending 2020 at a price of US$2,724/t.

82
Pb
Lead
207.2

Lead

Lead has been the worst performing of all the base metals considered here with the lead price appreciating just 2.5% in the 12 months from 1 January 2020. The price has recovered 25% from its post-Covid low of US$1,577/t. The price as at 31 December 2020 was US$1,972/t.

51
Sb
Antimony
121.760

Antimony

(price delivered to Rotterdam of 99.65% ingots)

The antimony price has increased by 14% over the 12 months from 1 January 2020. With the metal's price following a similar trend to that of zinc and lead. The Antimony price was mildly affected by the Covid shock decreasing by less than 10%, however, unlike the other base and precious metals, the price remained stagnant and only started recovering at the start of Q3 2020. Since September 2020 the price has appreciated by 26% from US$5,300 to US$6,700/t as at 31 December 2020.

Risks associated with exploration and development

There can be no assurance that exploration on the Vares Silver 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.

The Preliminary Feasibility Study on the Vares Silver Project released by the Company on 15 October 2020 constitutes a conceptual study based on certain technical and economic assessments. As such, it is insufficient to provide certainty that the conclusions of the Preliminary Feasibility Study will be realised or that any conceptual, projected or indicative net present value or internal rate of return referred to in the Preliminary Feasibility Study is assured by the Vares Silver Project or certainty as to estimation of ore reserves or any assurance of an economic development case at this stage.

The Company is mitigating these risks with the significant progress made during the year with infill drilling, which has increased confidence in the mineral resource estimate, technical studies and permitting for the Vares Silver Project which serve to de-risk the project and its commercial viability.

The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, insufficient or unreliable infrastructure (such as power, water and transport), unanticipated metallurgical problems which may affect extraction costs, industrial and environmental accidents, changing government regulations and many other factors beyond the control of the Company.

The Company is working with internationally recognised technical consultants to produce a construction and operational plan that mitigates these risks where possible through the use of industry best practice and the recruitment of capable, experienced staff and contractors.

Health & Safety

The Company has taken active steps throughout the year to establish and maintain a strong health & safety focussed work-place culture. New joiners go through an induction programme which covers OHS and there is a programme of continuation training run by the Health & Safety Manager. Notably training has been Working at Height and Winter Driving training courses

PRINCIPAL RISKS AND UNCERTAINTIES - CONTINUED

Risks associated with exploration and development - continued

Community/NGO Concerns Affecting Exploration/Operational Activity

The Company has taken a forward stance on its engagement and involvement of all its stakeholders since operations began in 2017. To date there have been no restrictions to operations and the Company enjoys a very successful relationship with the near mine communities. An active media campaign provides regular updates to all the local communities and the ESG team regularly meet and listen carefully to the feedback given by community leaders. Whilst the Company enjoys both a cooperative relationship with its stakeholders and, to date no stakeholder groups or NGOs have raised any material issues with the Company about the development of the mine, it is clear that it must not be complacent and continue to put ESG at the heart of its operational activities.

Land Acquisition

The development of the project will require the acquisition or lease of private land. The Company recognises the importance of its approach to this potentially problematic requirement and is developing policies in accordance with EBRD's Performance Requirement 5 which provides guidance on best practice.

Veovaca Historic Tailings Dam

There is the potential that the community near the project will consider the historic Veovaca tailings dam to be the responsibility of the Company. The Company has cooperated closely with the Municipality on this matter and whilst not required to do so has commissioned independent expert appraisal of the dam, its structural integrity and any associated environmental degradation. The water, air and dust monitoring during the ESIA process will establish the baseline conditions around the tailings dam and a Management Plan will be developed to address any issues identified.

Bribery & Corruption

The Company's code of corporate governance specifies the measures the Company takes to comply with all applicable Anti Bribery & Corruption legislation. The Board, through its statutory oversight commitment, enforces adherence and management have implemented policy and provided training to all staff, with refresher training programmed as part of the HR management plan.

In-country Risks in Bosnia and Herzegovina and Serbia

The Company will be subject to the risks associated with operating in Bosnia and Herzegovina, including various levels of political, sovereign, economic and other risks and uncertainties, which include, but are not limited to, labour unrest, the risks of war or civil unrest, expropriation and nationalisation, renegotiation or nullification of existing concessions, licenses, 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.

Operations and the Company's development and profitability may be affected in varying degrees by government regulations (and changes to 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.

The Company seeks to mitigate these risks through effective engagement with relevant stakeholders including all levels of government and local communities.

Political Instability

The Company acknowledges the potential impact of political instability on its ability to operate and deliver the mine. To mitigate this risk the Company closely monitors the national political situation and carefully considers every engagement with politicians (at all levels, including internationally) with each meeting minuted in detail.

A political framework and relationship mapping exercise was completed in June to better identify the relationships and impact that party politics may have on operations.

Risks associated with mining concessions in Bosnia and Herzegovina and Serbia

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. Additionally, certain provisions of the Vares Concession are unclear and may require renegotiation or clarification, the outcome of which the Company cannot guarantee. If the Company does not comply with the terms of the agreement it may be in default and the Concession may be terminated, which would have adverse consequences for the Company's operational and financial performance.

Outcomes in courts in Bosnia and Herzegovina and Serbia may be less predictable than in the United Kingdom, which could affect the enforceability of contracts entered into by the Company or its subsidiaries in Bosnia and Herzegovina and Serbia.

There is no guarantee that the Company will be able to obtain all required approvals, licenses and permits relating to its exploration and subsequent exploitation activities. To the extent that required authorisations are not obtained or are delayed, the Company's operational and financial performance may be materially adversely affected.

Notwithstanding these risks, the Company has made good progress during the period when it secured a substantial extension to the area covered by the Vares Silver Project concession and was granted the Urban Planning Permit for the Veovaca area. The progress of ongoing permit applications to facilitate exploration and subsequent exploitation activities is closely monitored by management and the Board.

Permitting Delays

The Company must work very closely with the government departments responsible for permitting the project. Open and regular dialogue to identify and resolve any issues is critical. The public consultation meeting, required for the issuance of the Rupice Environmental License, was delayed whilst the Environmental ministry was considering how to run such a gathering under the restriction of COVID-19. Through discussion with the government and the suggestion that EBRD's guidance for stakeholder engagement during the pandemic be followed, this meeting was held successfully, in the open air, during August 2020.

Risks associated with Commodity Prices and Currency Exchange Rates

The value of the Company's assets and potential earnings as well as costs and expenses may be affected by fluctuations in commodity prices and exchange rates, such as the US$ and GBP denominated zinc, lead, gold, silver, copper and barite prices, and exchange rates affecting USD, GBP, AUD and EUR.

The Company monitors these risks by tracking commodity and exchange rates in its internal financial modelling of the Vares Silver Project.

Risks associated with resource and reserve estimates

Resource and reserve estimates are expressions of judgement based on knowledge, experience and industry practice. Such estimates may alter significantly when new information or techniques become available and are, by their very nature, imprecise and depend to some extent on interpretation which may prove to be inaccurate.

The Company follows industry standard QAQC practices and has engaged CSA Global, an internationally recognised geological consultancy, to undertake resource estimates and reduce the inherent risks associated with resource and reserves estimation.

Risks associated with reliance on key personnel

The Group relies heavily on a small number of key individuals, in particular the Directors, its senior management and consultants. The loss or diminution in the services of any of the Directors 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 the Group's business, results of operations, financial condition and prospects.

Key Performance Indicators

The near term and primary performance indicators (KPIs) for Adriatic, which relate primarily to its exploration and development activities, are as follows:

- Growing Adriatic's JORC resource base at its projects in Serbia and Bosnia
- Advancing permitting of the Vares Silver Project status on a pathway towards exploitation in line with target milestone dates
- Delivering a robust NPV_8 in the feasibility study for the Vares Silver Project in line with target milestone dates
- Securing project finance for the Vares Silver Project at a competitive cost
- Commencing construction of the Vares Silver Project in line with target milestone dates
- Maintaining a strong culture of occupational health and safety best practices throughout the construction phase of the Vares Silver Project and into production
- Increasing staff satisfaction ratings
- Increasing gender diversity within the workforce

These KPIs have been incorporated into an annual, cash based short term incentive plan with effect from 1 January 2021 as described in the Remuneration Report.

WE ENGAGED WITH INVESTORS

DIRECTORS' SECTION 172(1) STATEMENT

The Board acknowledges the importance of forming and retaining constructive relationships with all stakeholder groups. Effective engagement with stakeholders enables the Board to ensure stakeholder interests are considered when making decisions and is crucial for achieving the long term success of the Company.

The following disclosure describes how the Directors have had regard to the matters set out in section 172(1)(a) of the Companies Act 2006 (the Act) and forms the Directors' statement required under the Act. This reporting requirement is made in accordance with the corporate governance requirements identified in The Companies (Miscellaneous Reporting) Regulations 2018, which apply to company reporting on financial years starting on or after 1 January 2019.

The matters set out in section 172(1) (a) to (f) of the Act are that a Director must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

a) the likely consequences of any decision in the long term;

b) the interests of the Company's employees;

c) the need to foster the Company's business relationships with suppliers, customers and others;

d) the impact of the Company's operations on the community and the environment;

e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

f) the need to act fairly between members of the Company.

In the above Strategic Report section of this Annual Report, the Company has set out its overall goal and its strategic priorities for attaining it.

This Statement addresses:

a) Stakeholder engagement, with information on stakeholders, issues and methods of engagement

b) Principal decisions made by the Board, and how stakeholder considerations influenced the decision-making process

a. Stakeholder engagement activities within the reporting period

The Company continuously interacts with a variety of stakeholders who are important to its success, including shareholders, debt providers, staff, national, cantonal and municipal government administrative and environmental bodies, NGOs, the local community, and suppliers.

In its engagement with shareholders, Adriatic endeavours to strike a proper balance between open communication and the need to keep commercially sensitive information confidential.

The Group recognises that its activities and forthcoming development of the Vares Silver Project creates significant potential impacts on, as well as opportunities for, local people. The management of environmental and social issues will be based on an international standard ESIA. In addition, the Group is committed to regular consultation and engagement with the community including through a Community Information Centre and Community Liaison Committee.

Key Stakeholder groups	Reason to engage	Engagement method	Engagement outcome
Equity Investors All substantial shareholders who own more than 3% of the Company's shares are listed on page 65 within the Governance Report. On 2 November 2020 the Company completed a £6.2 million private placement with the European Bank of Reconstruction and Development. As at 31 December 2020, Sandfire Resources holds 16.1% of the shares of the Company, and until 8 July 2020 had a representative on the Board of the Company. At 31 December 2020, shares held in public hands (defined as shares not held by persons associated with the Company or holding over 5%) constituted 31.8% of the total shares in issue.	Access to capital is of vital importance to the long term success of our business and achieving value for shareholders. Engagement activities are designed to inform shareholders of Adriatic's progress towards achieving its strategic objectives and develop an investor base that will support the Company in achieving those objectives.	The key mechanisms of engagement included: **Substantial Shareholders:** • Sandfire Resources have the right to appoint a Director under the terms of its Collaboration and Strategic Partnership Deed. • The other existing substantial shareholders held periodic meetings with the Chairman, CEO and CFO. **Prospective and existing investors:** • The AGM and Annual and Interim Reports. • Investor roadshows and presentations. • One-on-one investor meetings with the Chairman, CEO and CFO. • Access to the Company's brokers and advisers. • Regular news and project updates. • Social media accounts. • Site visits for potential cornerstone investors. Shareholders with queries are encouraged to contact Thomas Horton, the Company's Head of Corporate Development & Investor Relations, at thomas.horton@adriaticmetals.com	We engaged with investors on topics of strategy, governance, project updates and performance. Please see Dialogue with Shareholders section of the Annual Report on page 63. The CEO presented at a number of investor roadshows and one-to-one meetings.
Existing and potential future debt providers On 1 December 2020, Adriatic announced it had completed the issue of US$20 million of convertible bonds to Queens Road Capital Limited. Potential future debt providers include commercial banks, credit funds, development financial institutions, streaming and royalty companies and off-take financiers.	Particularly during its pre-production, exploration and development phase, Adriatic may incur substantial debt from time to time to finance working capital, capital expenditures, investments or acquisitions or for other purposes. To achieve the outcomes indicated in the Vares Silver Project preliminary feasibility study, external funding will be necessary to finance up-front capital requirements to construct the mine, processing plant and general project infrastructure. It is expected that the finance will be derived from a combination of equity and debt instruments from existing shareholders, new equity investment, and debt providers. The Group is committed to international best practices and to working to the standards set out in the Equator Principles, the IFC Performance Standards and EBRD Performance Requirements.	• One-to-one meetings with the CEO and/or CFO and undertaken on a regular basis with a range of potential debt providers to provide regular updates on progress of the Vares Silver Project. • The Company has engaged Tamesis Partners and Terrafranca Advisory to provide debt advisory services, including the preparation and distribution of an information package to potential financiers, solicitation of financing offers and evaluation of the same.	The process to select debt providers to meet the upfront capital requirements of the Vares Silver Project is ongoing.

DIRECTORS' SECTION 172(1) STATEMENT
- CONTINUED

Key Stakeholder groups	Reason to engage	Engagement method	Engagement outcome
Workforce The Company has seven UK employees. Two of the Directors are UK resident and four are overseas resident. The Chairman is UK-based, the CEO is based in Bosnia-Herzegovina and the CFO is based in Jersey, Channel Islands. The Company has 53 employees based in Bosnia-Herzegovina, 21 based in Serbia.	The Company's long term success depends to a large degree on the expertise, loyalty and commitment to Adriatic's values of its workforce. The Board recognises that reliance on key personnel is a known risk (see page 14). The Board recognises the importance of company culture and of establishing employee alignment on issues like safety and health, business integrity and sustainable development. The Company has an absolute commitment to safe operations and the principle of 'do no harm'.	**General Workforce:** • Adriatic maintains an open line of communication between its employees, senior management and Board. • The Company monitors HSE obligations and reports performance against these. • The Company intends to undertake a group-wide employee survey in 2021 **UK employees:** • The CEO and CFO report regularly to the Board, including the provision of board information. Key members of the finance team are invited to some of the audit committee meetings. • There is a formalised employee induction into the Company's corporate governance policies and procedures. **Bosnian employees:** • There is a Bosnian HR Function. • Senior management regularly visit the operations in Bosnia-and Herzegovina and engage with its employees through one-on-one and staff meetings, employee events, project updates, etc. • The Company is looking to establish a formal consultation mechanism during 2021. **Serbian employees:** • There is not a dedicated Serbian HR Function. • Senior management regularly visit the operations in Serbia and engage with its employees through one-on-one and staff meetings, employee events, project updates, etc.	**General Workforce:** The company maintained an excellent safety record during the year. **UK Employees:** The number of employees in the UK increased by one during the year. **Bosnian employees:** The Company has attracted a further 26 employees to the workforce during the year with excellent staff retention. **Serbian employees:** The Company acquired 16 employees in Serbia as a result of the Tethyan transaction which has since increased to 21.

Key Stakeholder groups	Reason to engage	Engagement method	Engagement outcome
Governmental bodies The Company engages with local (Municipal), regional (Canton)and national (Federal) government in Bosnia- Herzegovina. In Serbia the Company engages with local (Municipal) and national government.	The Company will only be able to commence production once it receives the relevant licenses and permits from all levels of government to mine and process ore.	The Company engages with the relevant departments of the Bosnian & Serbian governments to obtain the operational licences it will require. In addition to statutory reporting the Company regularly updates the government departments and that open, continuous engagement is key to developing a successful permitting regime. The Country Managers report regularly to the Board on progress with obtaining licences and permits. The Group is committed to being a long term actor in both Bosnia & Serbia with a firm commitment to each country's sustainable development. We are committed to conducting our relationships on the basis of transparency, partnership and integrity	**Bosnia:** The Company announced on 29 January 2020 that it had entered into Annexure 4 to its Concession Agreement with the Ministry of Economy for Zenica-Doboj Canton. This Annex granted the Company rights to the gold, silver and copper in addition to the lead, zinc and barite at Veovaca and Rupice. In July 2020 the Company was issued its Environmental Permit for the Veovaca mine, processing plant and tailings facility. On 28 August 2020 the Canton awarded a further precious and base metals concession covering 32km^2 of highly prospective land between the two deposits and further following the geological trend from Veovaca to the South East. The Public Consultation prior to the issuance of the Environmental Permit for Rupice was held on 31 August 2020 and a positive Record of Decision for the Rupice Environmental Permit was subsequently received in February 2021. The Urban Planning Permit, a further pre-cursor event to the issuance of an exploitation permit for Veovaca was received in November 2020 and the Veovaca exploitation permit was consequently issued in January 2021. **Serbia:** Since the acquisition of Tethyan, in October 2020, there has been no requirement to amend the issued exploration licences. However the Company's senior management have introduced themselves to both local and national government bodies.

DIRECTORS' SECTION 172(1) STATEMENT - CONTINUED

Key Stakeholder groups	Reason to engage	Engagement method	Engagement outcome
Community **Bosnia:** The near-mine communities in Vares and Kakanj and the wider population of the municipalities and Canton of Zenica-Doboj. **Serbia:** The near-mine communities in the Municipality of Raska, the national park of Kapaonik (which borders the north eastern extremities of the licence area) and the wider population of both south west Serbia and northern Kosovo.	Establishing and maintaining good relations with the local community throughout the development, operation and ultimately closure of the mine is vital for the Company's social licence to operate. Principally the Company needs to engage with its affected communities in order to build trust. Developing this will increase the likelihood that any fears raised can be assuaged and the Company's plans and strategies are more likely to be accepted. Community engagement will inform better decision making, particularly during the project planning stage. The Company will in due course have a significant social and economic impact on the local community and surrounding area. Dissemination of project developments, the advertisement of the public consultations and the function of the Information Centre is a cornerstone of the Company's ESG policy. **Bosnia:** The municipality of Vares and the surrounding area supply the majority of the Company's employees now and in the future. **Serbia:** The municipality of Raska provides over 50% of the Company's local staff.	The Company, assisted by its contracted Environmental, Social & Governance consultant and advised by Critical Resource (ESG experts) is following a carefully constructed programme of engagement. The Company established a Board ESG Committee which will, inter alia, monitor Adriatic's engagement with its stakeholders. The ESG charter and policy commits the Group to ensuring sustainable growth, with minimal adverse impacts. **Bosnia:** From the development of a Stakeholder Engagement Plan in Vares (listing all project stakeholders and the engagement with each), the establishment of an Information Centre and appointment of community officer to the initiation of a 28 member strong Public Liaison Committee the Company is adhering to best international practice as proscribed by both the EBRD's Performance Requirements and the IFC's Performance Standards. The Group employs the majority of its current (and future) staff from the municipality of Vares and as the Company approaches the build phase of the project a Local Business Development Officer has been appointed to encourage/ support local procurement and contracting. Social, print, radio and television media platforms have all been utilised. A bi-weekly interview with members of staff is broadcast on "Radio Bobovac", which is listened to by approximately 80% of the residents of Vares. Most recently a media coordinator has been bought onto the team in Vares, particularly to focus on the increasing social media flow associated with the project. **Serbia:** The blueprint of Community Engagement developed in Bosnia is being rolled out in Serbia. A Stakeholder Engagement Plan, initial public consultation and the opening of an information centre in the town of Raska are programmed for 2021 in line with increased operational activity.	**Bosnia:** Effective media penetration both locally and regionally, increasing social media presence which will be further propagated and used for local recruitment. The Public Liaison Committee has held three meetings and is proving an excellent forum for community feedback.

Key Stakeholder groups	Reason to engage	Engagement method	Engagement outcome
Suppliers During the construction phase of the Vares Silver Project, Adriatic will use key suppliers under commercial engineering contracts to deliver the mine and plant, all of whom are expected to be large international vendors. At a local level, we also partner with a variety of smaller companies, some of whom are independent or family run businesses.	Our suppliers are fundamental to ensuring that the Company can construct the project on time and on budget. Using quality suppliers ensures that as a business we meet the high standards of performance that we expect of ourselves and our vendor partners.	• The Management team has commenced preliminary discussions with a number of potential EPCM providers and mining contractors. • One on one meetings between management and suppliers. • Contact with procurement department and accounts payable.	Smaller local vendors were engaged at a broad level to better align with the Company's objective of increase local and regional project content. The procurement policies and processes are currently in development and are expected to be completed during H1 2021.
Partners In May 2018 Adriatic entered into a Collaboration and Strategic Partnership Deed (Deed) with the Australian copper producer Sandfire Resources Limited (Sandfire) which had been a substantial investor in Adriatic's ASX IPO in April 2018 and at 31 December 2020 held 16.1% of Adriatic's shares.	This partnership was intended to allow the Company to benefit from Sandfire's significant technical expertise to develop its Veovaca and Rupice Projects, as well as further strategic support as Adriatic moves to unlock the potential from its first mover status and regional exploration portfolio.	• Adriatic and Sandfire formed a Technical Committee to oversee the strategy and implementation of the exploration and development of these Projects. • The Technical Committee met in April 2019 but has not had any subsequent meetings. • Under the partnership agreement Sandfire Resources is entitled to nominate one Non-Executive Director to the Board of the Company for as long as Sandfire holds 10 percent or more of Adriatic's issued ordinary shares. John Richards served in this capacity from November 2019 until July 2020 and has not been replaced by another nominee thus far.	Following a dispute Sandfire brought proceedings against Adriatic in the Supreme Court of Western Australia, as announced on 31 July 2020, Adriatic announced on 3 November 2020 that it had entered into a Deed of Settlement and Release with Sandfire where both parties had agreed to settle the dispute. Pursuant to Sandfire's anti-dilution right under the Deed, Sandfire paid Adriatic A$8,649,360.35 in cash for 4,830,156 Adriatic shares as a Settlement Placement and such shares were allotted on 24 December 2020. Sandfire has chosen to exercise its ongoing anti-dilution right in respect of subsequent issues of equity by the Company since the settlement.

REPUTATION FOR HIGH STANDARDS OF BUSINESS CONDUCT

PRINCIPAL DECISIONS BY THE BOARD DURING THE PERIOD

We define principal decisions as those which potentially have a long term strategic impact and are material to the Group, and/or are significant to our key stakeholder groups. In making the following principal decisions, the Board considered how they would affect its stakeholders, the need to maintain a reputation for high standards of business conduct, the impact on the environment and the need to act fairly between the members of the Company:

a. Equity capital raising and convertible debt financing:

In September 2020, the Board decided to seek to raise additional funding for the Company to advance the Vares Silver Project and general working capital requirements. The Company subsequently announced on 2 November 2020 that it had completed a £6.2 million equity private placement to EBRD at a price of £1.175 per share and in December 2020 completed the issue of US$20 million in convertible debentures to Queens Road Capital with an 8.5% coupon.

b. Approval of technical information prior to announcement:

Following careful consideration, including internal review procedures as necessary, the Board approved for release the updated mineral resource estimate for the Rupice deposit of the Vares Silver Project on 1 September 2020 and the results of the Vares Silver Project Preliminary Feasibility Study on 15 October 2020.

c. Settlement of Litigation with Sandfire:

As announced on 3 November 2020, the Board approved the Company entering into a Deed of Settlement and Release with Sandfire as a result of both parties having agreed to settle the dispute brought by Sandfire against Adriatic in the Supreme Court of Western Australia, as announced on 31 July 2020

In connection with the settlement, and pursuant to Sandfire's anti-dilution right under the Deed, the Board approved the allotment of 4,830,156 Adriatic shares for which Sandfire paid Adriatic A$8,649,360.35 in cash. The shares were allotted on 24 December 2020.

d. Tethyan Resource Corp acquisition:

In June 2020 the Company announced that Adriatic and Tethyan Resource Corp. had entered into a Definitive Arrangement Agreement whereby Adriatic would acquire 100% of the outstanding common shares of Tethyan, in consideration for the issuance of 0.166 of an ordinary share of Adriatic for each common share of Tethyan.

The Board subsequently authorized the execution of all necessary documentation to complete the transaction including the allotment of 13,278,937 new ordinary shares in Adriatic and the issue of 4,128,633 warrants and 469,779 options to former Tethyan warrant holders and former Tethyan option holders.

The acquisition, which has resulted in the addition of Tethyan's Serbian brownfield development projects, Kizevak and Sastavci, and its large prospective landholding on the Tethyan mineral belt to Adriatic's asset portfolio, positions the enlarged Group as the leading Balkan base and precious metals developer.

The acquisition also represents the first phase of implementing a strategy to identify and acquire substantially accretive assets to Adriatic's portfolio of high value, high margin assets. It is expected to leverage Adriatic's core strengths so as to realise value growth and further Adriatic's aim of becoming a European focused, multi-asset mining company.

e. Change of accounting reference date:

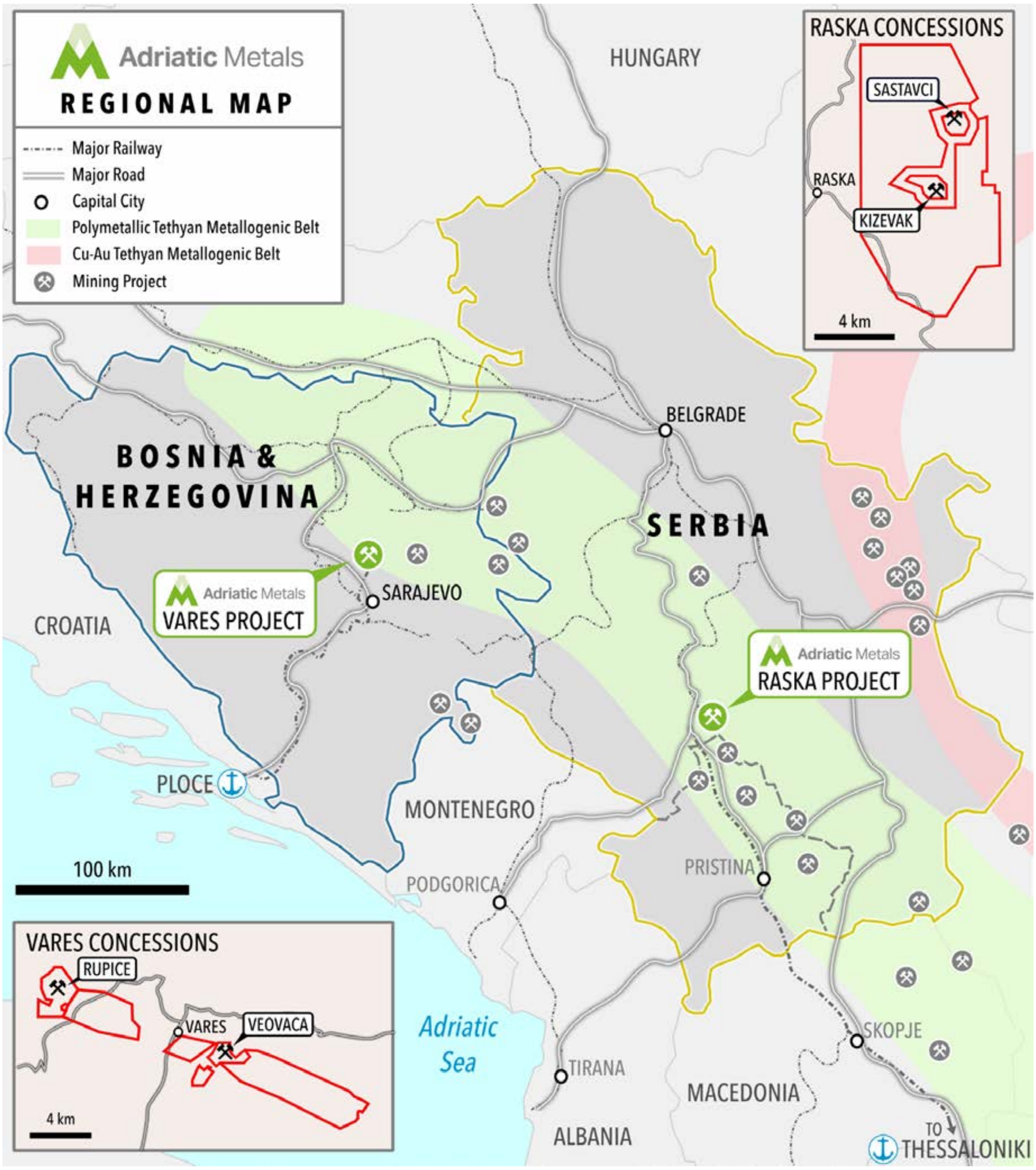
On 23 November 2020, the Company changed its accounting reference date from 30 June to 31 December to align it with that of its subsidiary companies to streamline financial reporting processes and reduce administrative costs.

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.

IDENTIFY AND ACQUIRE SUBSTANTIALLY ACCRETIVE ASSETS

OUR ASSETS

The Company asset portfolio consists of two polymetallic projects in the Balkan region, which are both situated on the Tethyan Metalogenic Belt. The company's flagship asset is the Vares Silver Project in Bosnia and Herzegovina, which is currently in development phase. The other is the Raska Zinc-Silver Project in Serbia, which is an exploration project.



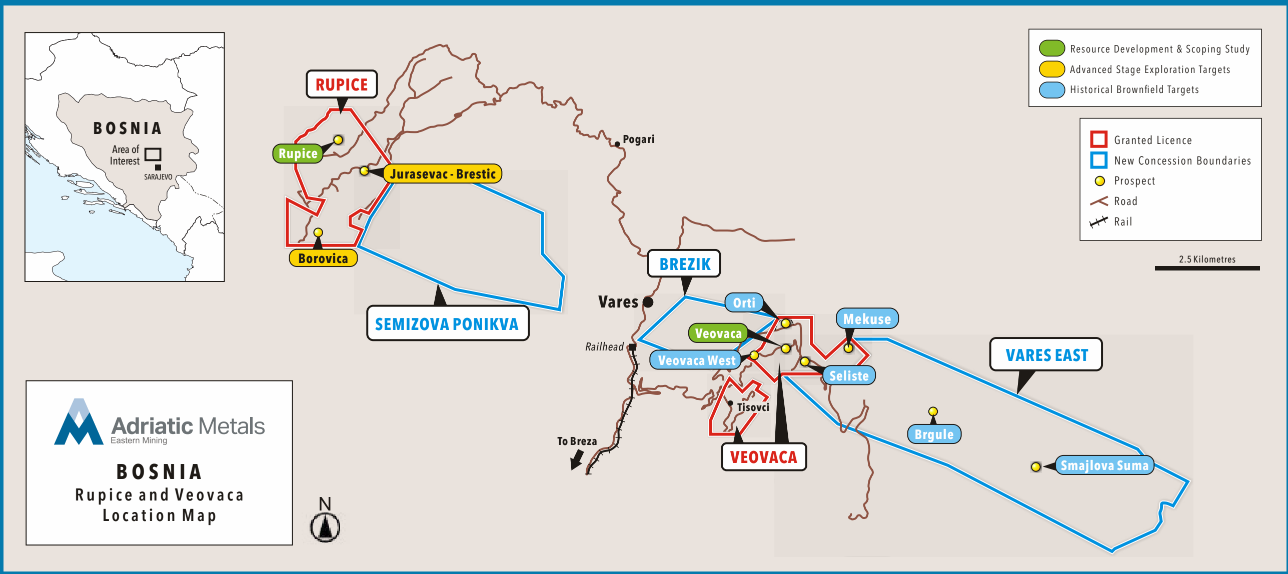
Adriatic Metals Eastern Mining

THE VARES SILVER PROJECT, BOSNIA AND HERZEGOVINA

The Company's flagship Vares Silver Project is located approximately 50 km north of Sarajevo, in the district of Vares.

Adriatic, through its wholly owned subsidiary Eastern Mining d.o.o., owns 100% of the Vares Silver Project concession. In September 2020, the Group successfully secured a 32 km^2 extension to its concession area and the Vares Silver Project concession area covers a total of 41 km^2 as at 31 December 2020. The significantly expanded concession area includes an area between Veovaca and Rupice (Semizova Ponikva & Brezik), as well as an area to the south-east of Veovaca (Vares East) as shown in the diagram below.

The concession area expires in 2038, but can be extended for a further 10 years upon written request. Additionally on 28 January 2021, the Group received the Veovaca exploitation permit from the Federal Ministry for Energy, Mining and Industry. The receipt of this permit initiates the formal exploitation period for the project, which under the terms of the concession agreement is up to 30 years, thus further adding to our security of tenure.



Eastern Mining is the first company to conduct exploration in the surrounding Vares District since the late 1980s, when the last mining operation in the area was shut down. Informed by data from historical exploration activities within the Vares District, the Company has been conducting exploration activities since 2017 and successfully delineated a maiden Mineral Resource at Rupice in July 2019 which was subsequently increased in an updated mineral resource estimate announced in September 2020. To date, exploration by Adriatic has been focused around the Rupice and Veovaca deposits. The Company expects to expand its future exploration activities, following the grant of a 32 km^2 extension to its existing concession area in September 2020 covering a number of areas of interest including Semizova-Ponikva, Brezik and Vares East.

In October 2020, a Preliminary Feasibility Study (PFS) on the Vares Silver Project was released. The results from the PFS improved on the robust, high-margin project economics and low up-front capital expenditure, which were in the 2019 Scoping Study.

High-grade mineral resources with strong potential for exploration upside

Mineral Resources have been delineated at both the Veovaca and Rupice deposits, which make up the Vares Silver Project. The polymetallic Mineral Resource consists of high grades of silver, gold, zinc, lead, copper and barite, offering a high potential for mine development, which was confirmed in the 2019 Scoping Study, and more recently in the October 2020 PFS. These mineralisation systems have a potential to repeat along strike, as well as extend at depth. This suggests a potential for further discoveries across the concession area. The Mineral Resource estimates for Rupice and Veovaca are shown below.

Excellent metallurgical recoveries and concentrate grades

The Vares Project will produce zinc, silver/lead, barite and precious metal pyrite concentrates. Over the 14 year life of mine, the zinc concentrates will on average grade 57.1%, the silver/lead concentrates will on average grade 41.4% lead and 1,880 g/t of silver. The barite concentrate will on average grade 74.2% and the pyrite concentrate will on average grade 4.43 g/t gold and 287 g/t silver. t The Project will potentially produce annually, on average, 46,800 tonnes of zinc concentrate, 43,470 tonnes of silver/lead concentrate, 164,270 tonnes of barite concentrate and 17,800 tonnes of precious metals pyrite. All concentrates are expected to be marketable.

Existing infrastructure in a historical mining district

The nearby town of Vares, which sits between the Veovaca and Rupice deposits, has a long history of mining. State-owned iron ore mining operations, along with associated steelworks operated there from the 1890s until the late 1980s. It is as a result of this that there remains existing road, rail, water and power infrastructure. Within the licence area is also an abandoned processing facility, along with a previously permitted tailings storage facility. Adriatic is proposing to take advantage of much of this infrastructure for the Vares Silver Project.

The abandoned processing facility, which operated until the late 1980's, is located ~2 km southeast of the proposed Veovaca open pit. While all previous equipment and supporting services have been removed, a large administrative building remains, along with the concrete foundations of the old processing plant. The administrative building has already been renovated and repurposed as the Company's country office for the Vares Project.

The Rupice deposit is largely a greenfield site located 10km from Veovaca. Current infrastructure at Rupice includes two stream based pump-stations and water reservoirs which are currently used for the ongoing exploration drilling.

OUR ASSETS - CONTINUED

THE VARES SILVER PROJECT, BOSNIA AND HERZEGOVINA - continued

Mineral Resources

The Vares Silver Project comprises the Rupice and Veovaca deposits.

On 1 September 2020, the Company announced an updated Indicated and Inferred Mineral Resource estimate for the Rupice deposit representing a 32% increase in tonnes compared to the Rupice maiden Mineral Resource estimate using a 50g/t AgEq cut-off.

Rupice Mineral Resources (Note 1) At 31 December 2020

JORC Classification	Tonnes (mt)	Grades							Contained metal						
		Ag	Zn	Pb	Au	Cu	Sb	$BaSO_4$	Ag	Zn	Pb	Au	Cu	Sb	$BaSO_4$
		g/t	%	%	g/t	%	%	%	Moz	Kt	Kt	Koz	Kt	kt	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**

Note 1:

- Prepared by CSA Global Pty Ltd in Perth in September 2020
- 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 $BaSO_4$, 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 $BaSO_4$, $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.

Rupice Mineral Resources (Note 2) At 30 June 2020

JORC Classification	Tonnes (mt)	Grades						Contained metal					
		Zn	Pb	$BaSO_4$	Au	Ag	Cu	Zn	Pb	$BaSO_4$	Au	Ag	Cu
		%	%	%	g/t	g/t	%	Kt	Kt	Kt	Koz	Moz	Kt
Indicated	7.5	5.7	3.7	34	2.0	207	0.6	430	280	2,590	470	50	46
Inferred	1.9	2.4	1.6	18	0.9	86	0.3	50	30	330	60	5	6
Total	**9.4**	**5.1**	**3.3**	**31**	**1.8**	**183**	**0.6**	**480**	**310**	**2,920**	**530**	**55**	**52**

Note 2:

- Prepared by CSA Global Pty Ltd in Perth in July 2019
- Mineral Resources are based on JORC Code definitions.
- A cut-off grade of 0.6% zinc equivalent has been applied.
- ZnEq – Zinc equivalent was calculated using conversion factors of 0.80 for lead, 0.08 for $BaSO_4$, 1.80 for Au, 0.019 for Ag and 2.40 for Cu, and recoveries of 90% for all elements. Metal prices used were US$2,500/t for Zn, US$2,000/t for Pb, $200/t for $BaSO_4$, $1,400/oz for Au, $15/oz for Ag and $6,000 for Cu.
- 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 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 test work 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% $BaSO_4$).
- Rows and columns may not add up exactly due to rounding.

The Veovaca Indicated and Inferred Mineral Resource estimate was unchanged during the period and stands at:

Veovaca Mineral Resources (Note 3) At 30 June 2020 and 31 December 2020

JORC Classification	Tonnes (mt)	Grades					Contained metal				
		Zn	Pb	$BaSO_4$	Au	Ag	Zn	Pb	$BaSO_4$	Au	Ag
		%	%	%	g/t	g/t	Kt	Kt	Kt	Koz	Moz
Indicated	5.3	1.6	1.0	16.1	0.1	50	83	50	860	14	9
Inferred	2.1	1.1	0.5	5.9	0.1	17	23	10	120	4	1
Total	**7.4**	**1.4**	**0.9**	**13.2**	**0.1**	**41**	**106**	**70**	**980**	**18**	**10**

Note 3:

- Prepared by CSA Global Pty Ltd in Perth in June 2019
- Mineral Resources are based on JORC Code definitions.
- 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 $BaSO_4$, 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 $BaSO_4$, 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%.
- 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.
- 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.

There have been no material adverse changes in the assumptions underpinning the forecast financial information or material assumptions and technical parameters underpinning the mineral resource estimate since the original relevant market announcements which continue to apply.

In addition to the Company's internal resources, the Company also utilises the services of independent specialist consultants including CSA Global, Ausenco and others as part of the governance and internal controls in relation to mineral resource estimates and the reporting thereof.

Competent Persons' Report

The information relating to the Mineral Resources estimates in this Annual Report are based on and fairly represents information and supporting information compiled by Dmitry Pertel. Dmitry Pertel is a full-time employee of CSA Global and is a Member of the Australian Institute of Geoscientists. Dmitry Pertel has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources, and Ore Reserves (JORC Code). Dmitry Pertel consents to the disclosure of information in this report in the form and context in which it appears.

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.

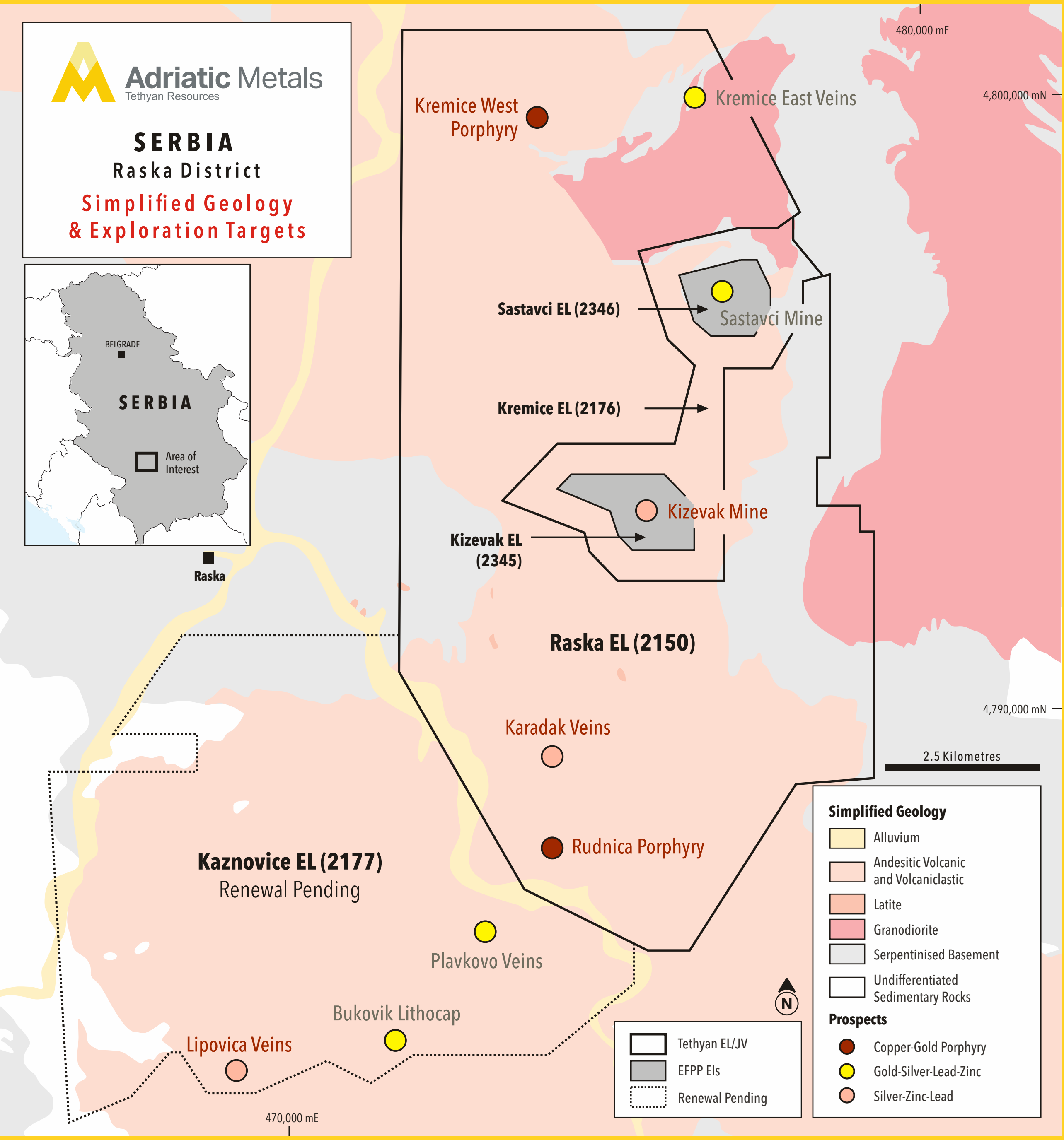
OUR ASSETS - CONTINUED

Adriatic Metals
Tethyan Resources

THE RASKA PROJECT, SERBIA

The Raska Zinc-Silver Project in Serbia was attained though the acquisition of Tethyan, which was completed in October 2020. Tethyan Resource Corp had been exploring a highly prospective 99 km^2 land package in southern Serbia, which contains two historic Zinc-Silver mining operations called Sastavci & Kizevak. The Sastavci & Kizevak deposits, like those in the Vares Silver Project sit on the Polymetallic Tethyan Metallogenic Belt. Therefore like the Vares Project, they have Zinc, Silver and Lead mineralisation.

Sastavci has a non-JORC compliant historic resource of 1.4Mt at 4.0% zinc, 1.9% lead and 30g/t silver and Kizevak has a non-JORC compliant historic resource of 6.2Mt at 5.3% zinc, 3.2% lead and 48g/t silver. Both deposits are within 3km of one another and are close to surface, and therefore they have open-pit potential.



Since the acquisition of the Raska Zinc-Silver Project, the Company has been conducting exploration drilling, with a diamond core drill rig operating at each deposit. Drilling to date at Kizevak has intercepted thick mineralisation that has demonstrated continuity of the historic resources.

Recent drilling has also confirmed near-surface polymetallic mineralisation as well as an anomalous broad gold structure at depth. Further mineralised sub-parallel structures have also been discovered within 100m of the main mineralising trend, which demonstrate potential for scale.

There are a number of other targets across the Raska Project, such as Rudnica and Karadak in the South West of the Raska licence area, which the company plans to follow up in due course.

	Category	Tonnes (Mt)	Ag (g/t)	Zn (%)	Pb (%)
Non-JORC Compliant Classification for Kizevak	A+B+C1	4.4	54	5.4	3.6
	C2	1.8	36	5.0	2.2
	Total	6.2	48	5.3	3.2
Non-JORC Compliant Classification for Sastavci	A+B+C1	0.4	45	5.6	2.1
	C2	1.0	25	3.5	1.9
	Total	1.4	30	4.0	1.9

Notes:

- The mineral resource estimate for the Kizevak-Sastavci project is a foreign estimate and is not reported in accordance with the JORC Code. A competent person has not done sufficient work to classify the foreign estimate as a mineral resource in accordance with the JORC Code. It is uncertain that following evaluation and/or further exploration work that the foreign estimates will be able to be reported as mineral resources in accordance with the JORC Code.
- The foreign mineral resource estimate for the Kizevak-Sastavci project was first disclosed in accordance with listing rule 5.12 in Adriatic's announcement of 11 May 2020. The supporting information provided in the previous announcement continues to apply and has not materially changed. Historical drillholes are subject to confirmation drilling.

ANOTHER TRANSFORMATIVE PERIOD AS WE CONTINUE TO MOVE FORWARD

CEO STATEMENT

Paul Cronin,
Chief Executive Officer

We go into 2021 with a strong cash position

The second half of 2020 was another transformational chapter for the Company. The team has worked tirelessly to deliver major milestones, most notably the completion of the Vares Silver Project Preliminary Feasibility Study, but also the closing of the Tethyan acquisition and the updated Mineral Resource Estimate at Rupice. I would like to express our appreciation too of the professionalism with which the Bosnian regulatory authorities have processed the regulatory approvals required by the Vares project. We welcome too the strong support lent by our local communities.

The Vares Silver Project Pre-Feasibility Study showed improved economics compared with the 2019 Scoping Study. I am confident that as we continue our engineering, there is additional value which can be realised from Vares as we work towards the completion of the Definitive Feasibility Study (DFS) in mid-2021.

We go into 2021 with a strong cash position, having raised US$28 million of funding from EBRD and Queens Road Capital in Q4. This fully funds our DFS and ESIA workstreams, as well as an aggressive exploration programs planned at both the Vares and Raska Projects.

I am excited about our 2021 exploration programme, which is the largest in the history of Adriatic. At Vares we will be looking for repeats of the Rupice-style mineralisation, across our existing and newly granted concession areas. At Raska we will be building on the historic resources with the aim of producing a maiden resource in the latter half of 2021, and in addition conducting step-out exploration across a number of new drill ready targets elsewhere in across the large land package. We inherited a strong geological team with the Tethyan acquisition and they have integrated well with our existing team at Vares, comparing their experiences of the Tethyan Belt.

Junior mining companies often have good intentions but fall sometimes short in their environmental, social & governance performance through lack of resources and expertise. This can create resentment on the part of local stakeholders denying the required social license to operate, and ultimately eroding value for shareholders. We warmly welcome the increasing investor emphasis on ESG factors. We strongly believe in the importance of good stewardship from the start. Hence we are basing our social and environmental work on the EBRD Performance Requirements and are undertaking an international standard ESIA. Looking ahead, the Vares project should add more than 1.5% of GDP to the Bosnian economy in its first full year of operation. Similarly we want to create sustainable socio-economic benefits for the communities around the project both through adopting a pro-active approach to local procurement and development of local human resources. In addition, we are already engaged in establishing a community foundation capable of being a long-term engine for development, guided by the priorities of local people and capable of attracting investment from a variety of government and non-government agencies. We hope too that the development of our work can also facilitate the development of complementary livelihoods such as tourism. This, of course, depends on our adopting a careful approach to environmental stewardship. As an employer, and in selecting suppliers, we want to create a safe working environment which promotes diversity, opportunity and mutual benefit for all.

2021 will be another transformative year as we move towards the completion of the DFS and the project financing, and then the commencement of construction at Vares. In the background, we continue to build out a highly skilled and capable staff base that can deliver our strategy.

I would like to thank our shareholders for their continued support, as well as our staff who individually and collectively make Adriatic, not only a great place to work, but a company primed for growth and success.

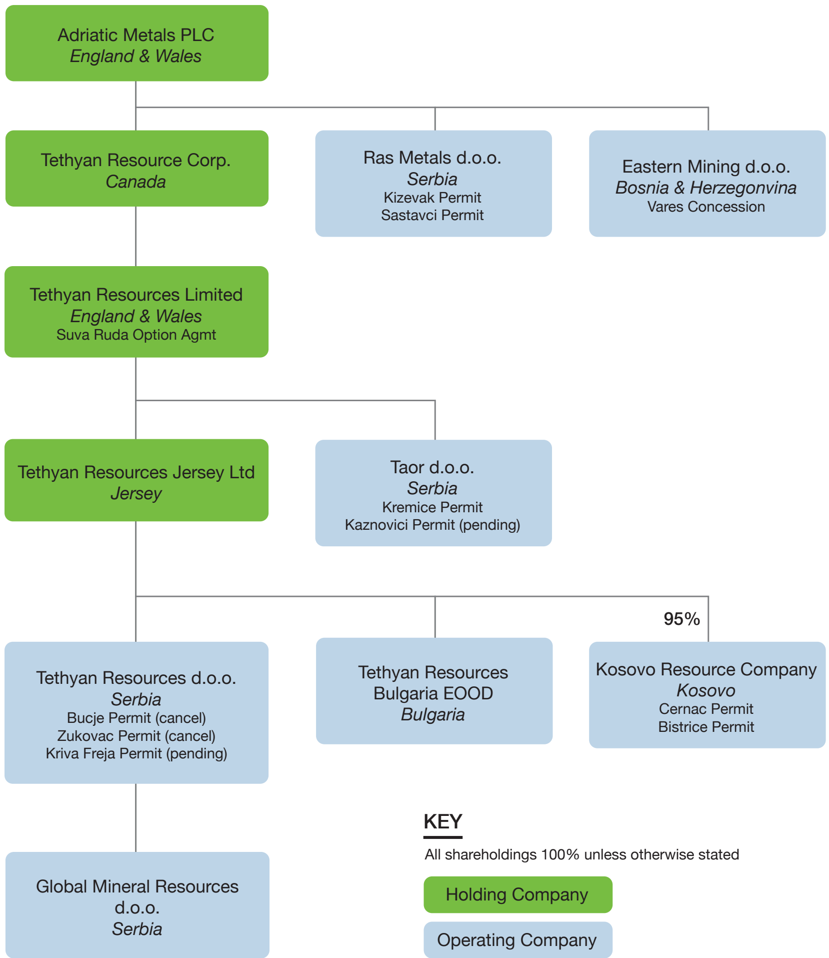
Paul Cronin
Chief Executive Officer

MOVING FROM POTENTIAL TOWARDS PRODUCTION

OPERATIONAL REVIEW

Corporate structure

The corporate structure of the Group at 30 March 2021 is as follows:



Adriatic Metals PLC is a public limited company incorporated in England and Wales on 3 February 2017. In addition to operating as a holding company of Eastern Mining, Adriatic is involved in the supervision of the exploration and development of the Vares Silver Project and commission of associated studies. The Company's principal assets are the investment in its wholly owned subsidiary Eastern Mining, intangible exploration and evaluation assets relating to work undertaken on the Vares Silver Project and cash generated from fundraising activities and the exercise of options.

Eastern Mining was registered in Bosnia and Herzegovina on 19 May 2008. Eastern Mining is the main operating entity of the Group and holds the Vares Silver Project concession which comprises the Rupice and Veovaca deposits.

Tethyan Resource Corp. and its wholly owned subsidiaries were acquired on 8 October 2020.

The corporate structure chart reflects the Company's post-period end acquisition of the entire share capital of Ras Metals d.o.o. and the disposal of a 10% interest in EFPP d.o.o. on 22 February 2021.

Vares Silver Project Developments

The Company completed the Vares Silver Project Preliminary Feasibility Study on 15 October 2020. Highlights include:

- Post-tax net present value of US$ 1,040 million (8% discount rate)
- 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
- Study relies on significantly more robust inputs over 2019 Scoping Study
- 2020 Mineral Resource estimate with improved geological interpretation
- Metallurgical domaining of the orebody
- Low environmental impact with underground mining and partial tailings backfill at Rupice, and use of brownfield Veovaca mine site for majority of plant infrastructure

Based on the positive outcome of the Preliminary Feasibility Study, work is immediately commencing on the Definitive Feasibility Study

KEY METRIC	UNIT	2020 PRE-FEASIBIITY STUDY
Mined tonnes to plant	Mt	11.1
Life of operation	Years	14.0
Total life of mine AqEq* production	koz	137,269
Average annual AqEq production years 1-5	koz/year	15,302
Cash Cost **	$USD/t Milled	117.1
All-in Sustaining Cost (AISC) ***	$USD/t Milled	120.0
Revenue	$USD/t Milled	296.3
Pre-production capital	US$ Million	173.0
Post tax NPV (8%)	US$ Million	1,040
Post tax Internal Rate of Return	%	113%
Project payback from first production	years	1.2
Average annual EBITDA years 1-5	US$ Million	251
Profitability Index	(Post-Tax NPV_8/CAPEX)	6

Veovaca

Exploitation permit for Veovaca was issued on 25 January 2021. Development of Main Mining Project commenced in Q1 2021.

Rupice

Environmental permit received in February 2021. Urban planning permit submitted in March 2021.

Raska Project Developments

Since acquisition, exploration has continued at Raska with 2 diamond core drilling rigs, one each at the Kizevak and Sastavci deposits. In total over 11,000m of diamond core drilling has been completed. Adriatic has a further 25,000m of step-out diamond core drilling planned across the Raska Project during 2021.

To date, drilling at Kizevak has confirmed the down dip continuity of a high grade lens in the central-northwest part of the deposit, beneath the limit of the historic drilling. Kizevak continues to yield thick zones of polymetallic mineralisation, which remains open.

To date, drilling from the base of the historic open pit at Sastavci has delivered wide intercepts of high-grade mineralisation from surface. The results have demonstrated excellent polymetallic grades from surface in a much wider zone of mineralisation than historically reported. Confirmation drilling at Sastavci has been complemented by the discovery of a separate, large gold bearing structure. This first phase of confirmation drilling at Sastavci has provided confidence to continue exploring the full extent of the mineralised system.

On 23 February, the Company completed the acquisition of Ras Metals, which included the exploration licenses for both Kizevak and Sastavci. This included a consideration paid for the remaining 90% of the shares in Ras Metals that the Company did not already hold for EUR 1,365,000, plus the allotment of 166,000 Ordinary shares of 0.013355p each in the Company. Additionally, there is deferred consideration of EUR 500,000, payable on 14 May 2022, and 498,000 Ordinary shares in the Company that will be allotted in three equal tranches on or around 22 August 2021, 22 February 2022 & 22 August 2022. The Shares rank pari passu with the existing Ordinary shares and application has been made to the Financial Conduct Authority and the London Stock Exchange for the Shares to be admitted to the standard segment of the Official List of the London Stock Exchange. Admission of the Shares is expected on 2 March 2021.

RAMPING UP CAPABILITY AND CAPACITY

FINANCIAL REVIEW

Geoff Eyre,
Chief Financial Officer
and Joint Company Secretary

The Group made an operating loss of £5,176,158 for the six months ended 31 December 2020 (Period) compared with an operating loss of £6,752,862 in the prior year ended 30 June 2020. The increase in the operating loss in the Period on a pro-rata basis compared to the prior year reflects our expansion into Serbia following the acquisition of Tethyan Resource Corp and the ongoing ramp up in operating capability and capacity as the Group moves closer towards the start of construction of the Vares Silver Project in Bosnia.

Income Statement Review

General and administrative expenses

General and administrative costs incurred in the Period were £2,115,707 (year ended 30 June 2020: £3,315,634) and share-based payment expenses of £2,267,239 (year ended 30 June 2020: £3,443,359).

Professional fees of £313,760 (year ended 30 June 2020: £1,051,354) and stock exchange fees of £136,166 (year ended 30 June 2020: £358,663) were both lower in the Period compared to the prior year during which the Company completed an initial listing of the Company's shares on the London Stock Exchange.

Exploration costs

The Group incurred £798,028 of exploration costs in the Period relating to pre-JORC resource stage exploration activities in Serbia (year ended 30 June 2020: £nil).

Finance income

Finance income in the Period was nil compared to £203,131 in the prior year which had comprised interest income of £50,366 primarily on Australian dollar deposits and a foreign exchange gain of £152,765 attributable primarily to the appreciation of Australian dollars held by the Company.

Finance costs

The finance expense in the Period was £197,039 (year ended 30 June 2020: £11,580) as a result of foreign exchange losses on foreign denominated currency of £103,772, interest expense on borrowings £82,744 and an interest expense on lease liabilities £10,523.

Revaluation of fair value asset

Following completion of the acquisition of Tethyan in October 2020, the convertible loan facility that had previously been provided by the Company to Tethyan was amended to remove the conversion option resulting in a revaluation of fair value asset gain in the Period of £322,987 reversing the revaluation of fair value asset loss of £322,987 in the prior year. The loan balance has been eliminated on consolidation in the Group financial statements at 31 December 2020 (30 June 2020: £876,201).

Cash Flow and Balance Sheet Review

Cash Flow

(In GBP)	Six months ended 31 December 2020	Year ended 30 June 2020
Net cash used in operating activities	(2,307,208)	(2,807,191)
Net cash used in investing activities	(3,552,249)	(6,016,265)
Net cash inflows from financing activities	25,817,089	13,284,686
Net increase in cash and cash equivalents	19,957,632	4,461,230

Net cash used in operating activities during the Period was £2,307,208 compared to £2,807,191 in the prior year.

Investing activities included cash outflows for the purchase of exploration and evaluation assets during the Period of £3,052,019 (year ended 30 June 2020: £4,942,689) reflecting the significant ramp up in activities related to completion of the updated mineral resource estimate for Rupice and completion of the Preliminary Feasibility Study for the Vares Silver Project in the Period.

Net cash inflows from financing activities increased substantially in the Period with £12,317,964 of proceeds from the issue of shares following the completion of an equity private placement with the European Bank for Reconstruction and Development at a price of £1.175 per share generating gross proceeds of £6.2 million and the receipt of A$8,649,360 from Sandfire Resources (ASX:SFR) as part of the settlement agreement reached between Sandfire and the Company which has been announced on 3 November 2020. Proceeds from the exercise of options and performance rights in the Period also increased to £1,261,913 compared £743,544 in the prior year.

Financing activity cashflows also include the issue of US$20 million in convertible debentures to Queens Road Capital in with an 8.5% coupon in December 2020.

The financings in the Period ensure the Company has sufficient financial resources to complete the feasibility study for the Vares Silver Project and undertake an extensive plan of exploration activities in Bosnia and Serbia during 2021.

FINANCIAL REVIEW - CONTINUED

Cash flow and balance sheet review continued

Working Capital

(In GBP)	At 31 December 2020	At 30 June 2020
Other receivables and prepayments	654,514	451,546
Accounts payable and accrued liabilities	(1,900,436)	(682,402)
Working capital	(1,245,922)	(230,856)

The Groups working capital position at 31 December 2020 was (£1,245,922), a decrease of £1,015,067 compared to 30 June 2020, primarily as a result of the acquisition of Tethyan which contributed (£1,101,642) net working capital to the group position at 31 December 2020.

Net cash position

(In GBP)	At 31 December 2020	At 30 June 2020	Change
Cash and cash equivalents	29,580,538	9,942,729	19,637,809
Short-term borrowings	(105,515)	-	(105,515)
Long-term borrowings (including imbedded derivative liability)	(14,635,385)	-	(14,635,385)
Net cash position	14,839,638	9,942,729	4,896,909

The cash balance at 31 December 2020 was £29,580,538, an increase of £19,637,809 compared to 30 June 2020.

Combined short term and long term borrowings totalled £14,740,900 at 31 December 2020 (30 June 2020: £nil) as a result of the issue of US$20 million in convertible debentures to Queens Road Capital in December 2020.

The net cash position (cash and equivalents minus long and short term borrowings) at 31 December 2020 was £14,839,638, an increase of £4,896,909 compared to 30 June 2020, primarily as a result of cash inflows from financing activities as noted in the cash flow commentary.

Capital Expenditure

(In GBP)	At 31 December 2020	At 30 June 2020	Change
Exploration and evaluation assets	36,479,724	9,045,169	27,434,555
Property, plant and equipment	969,464	910,920	58,544

Exploration and evaluation assets increased to £36,479,724 at 31 December 2020 (30 June 2020: £9,045,169) primarily due to acquisition consideration capitalised of £22,678,884 following the acquisition of the entire issued share capital of TSX-V listed Tethyan Resource Corp. (Tethyan) in October 2020 and subsequent exercise of the Ras Metals d.o.o. option agreement in February 2021 that Tethyan had held. The components of the acquisition consideration are summarised below:

(In GBP)	Value
Shares issued	17,129,828
Share options issued	236,571
Warrants issued	2,797,086
Total equity consideration	20,163,485
Consideration payable under Ras Metals d.o.o. option agreement	2,515,399
Total consideration	**22,678,884**

Vares Silver Project Funding Developments

The Company also engaged Tamesis Partners and Terrafranca Advisory during the Period to provide debt advisory services to assist with the evaluation of the various funding options available to the Company for the Vares Silver Project and to select and secure the most appropriate financing package with a view to commencing construction during 2021.

Geoff Eyre
Chief Financial Officer and Joint Company Secretary

The strategic report of Adriatic Metals PLC on the preceding pages was approved and authorised for publication by the Board of Directors on 30 March 2021 and was signed on its behalf by:

Michael Rawlinson
Chairman of the Board

APPROPRIATE RESOURCES ARE AVAILABLE TO MEET OBJECTIVES

CORPORATE GOVERNANCE REPORT

Corporate Governance Code – QCA disclosure statement

The Board believes in the value of good corporate governance in improving performance and mitigating risk and acknowledges its duty to take account in its decision-making of all of the stakeholders in Adriatic, and not just the shareholders.

As a company with a standard listing on the London Stock Exchange, Adriatic is able to choose which governance code to follow. The Board has decided to apply the Quoted Company Alliance's (QCA) Corporate Governance Code (QCA Code) (revised in April 2018).

The Code is based on 10 principles and a set of supporting disclosures. It sets out what the QCA considers to be appropriate arrangements for growing companies and asks companies, by means of the prescribed disclosures, to explain how they are meeting those principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the Board judges these to be appropriate in the circumstances, and in the QCA statement to be placed on our website we will provide an explanation of the approach taken in relation to each.

The Chairman has overall responsibility for implementing an appropriate corporate governance regime at the Company.

The Board is committed to ensuring the sustainability of its development strategy and to delivering on its commitments to shareholders, clients, employees, partners and other stakeholders with sustainability in mind.

We believe that transparency and fair dealing, particularly in relation to environmental and community issues, are essential to the Company's ultimate success. At all times Adriatic will aim to:

- Minimise its environmental impact,
- Meet legal and other requirements applicable to it,
- Foster positive relationships in the local community,
- Protect the health and wellbeing of employees and encourage positive relationships in the workplace, and
- Ensure the sustainability of the business for shareholders and other stakeholders.

The Board firmly believes that a corporate culture based on sustainability and ethical values and behaviour is in the best interests of the shareholders. The Company maintains a Code of Conduct which underpins its 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 behaviour expected from employees.

The Code of Conduct is included in the Corporate Governance Manual on the Company's website.

a. Board Composition

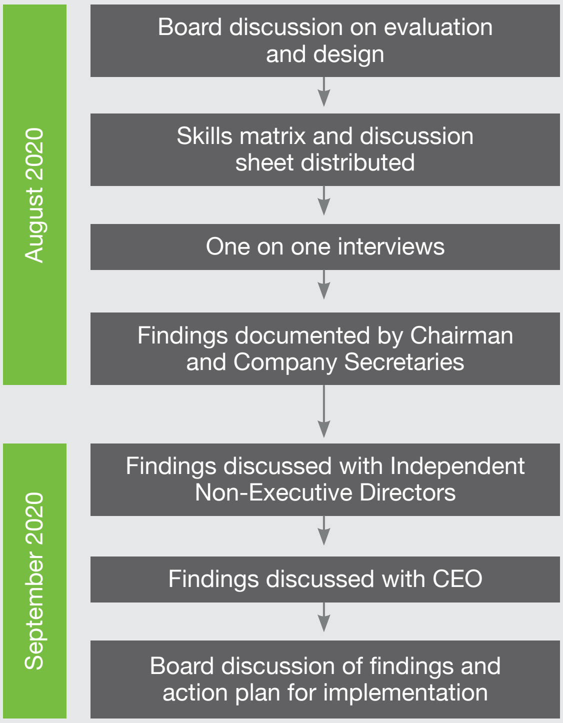
As at 31 December 2020, the Board comprised a Non-executive Chairman, a Chief Executive, and four other Non-Executive Directors ("NEDs"). As part of its annual performance evaluation process the Board, in conjunction with the Remuneration and Nominations Committee, keeps its structure under review in order to maintain an appropriate balance of executive and non-executive experience and skills.

The Board considers the following NEDs who served during the Period to have been independent: Peter Bilbe, Julian Barnes, Sandra Bates, Michael Rawlinson and Sanela Karic. None of these Directors is or has been an employee, had a significant business relationship or close family ties with related parties, or represented significant shareholders, although they all hold non-performance related options to acquire ordinary shares in the Company.

The QCA Code recommends that, in the interests of maintaining their independence, NEDs should not normally participate in performance-related remuneration schemes or have a significant interest in a company share option scheme; any performance-related remuneration for NEDs should be proportionate, and shareholders must be consulted and their support obtained. However, in Adriatic's case the options granted to the NEDs have no performance conditions and vested fully on the date of grant, and it is not considered that they compromise the NEDs' independence.

The Board has not yet considered it appropriate to nominate a Senior Independent Director but will keep this under review.

b. Board Performance Effectiveness Review



The most recent board performance effectiveness review was undertaken internally during August and September 2020 through one-to-one interviews conducted by Michael Rawlinson following his appointment as Chairman and supported by the Company Secretaries.

The interviews were structured to seek the Directors' views on a number of subject areas including those outlined below.

The Committees

Composition and overall workings of the main Board Committees was evaluated. In respect of the Audit & Risk Committee consideration was given to the adequacy of the level of rigor applied and sufficiency of resources dedicated this area.

Adequacy of timely engagement of the Remuneration and Nominations Committee together with sufficiency of alignment of reward with the Company's strategy was considered.

Regarding the newly established Environmental, Social & Governance Committee consideration was given to the focus for 2021 and the potential benefits of additional support from external advisors.

The Board

The overall composition of the board was considered, taking into account the balance of skills represented by board members relative to the current and future requirements of the Company together with gender diversity.

The workings of the board, leadership & culture, clarity of strategy, governance and risk management were also covered as part of the structured interviews.

2020 Board Performance Effectiveness Review Findings

The findings of the Chairman's Board performance effectiveness review were collated and considered between the Non-Executive Directors before being relayed to the CEO. The resulting recommendations were discussed and, where appropriate, approved by the Board.

Outcome

The principal recommendations arising from the 2020 Board Performance Effectiveness review process are as follows:

- A step change in resourcing necessary to support the internal finance and legal functions reflecting the rate of growth, complexity and compliance obligations of the Company.
- More visibility to be given to the existing Whistleblower policy and compliance requirements during the new staff induction process.
- Upgrading and updating of the risk register
- Remuneration and Nomination Committee members to receive more timely updates on potential senior staff hiring requirements and be more active in response to key staff risks and the HR build out to operations.
- A review of renumeration for Directors and Senior management and update of policies to be undertaken with a focus on getting the right balance between short and long term incentives, personal and corporate goals and the introduction of tiering staff by management level.

c. Board Terms of Reference and Powers (see Board Charter in Schedule 1 to Corporate Governance Manual on the Company web site)

The Board derives its authority from the shareholders under the Company's Articles of Association. Its main duty is to drive the strategic direction of the Company while ensuring that appropriate resources are available to meet objectives and monitor management's performance. Members of the Board have collective responsibility for the performance of the Company and must ensure that all decisions are taken in the interests of the Company as a whole, taking into account the interests of the various stakeholder groups.

Whilst the Board has delegated the normal operational management of the Company to the Managing Director & CEO and other senior management, it has reserved to itself specific matters including approving the Company's remuneration framework; reviewing and ratifying systems of audit, risk management and internal compliance and control, codes of conduct and legal compliance; approving and monitoring the progress of major capital expenditure; approving and monitoring the budget; and approving the annual and interim accounts.

The Board Charter requires that, where practical, the majority of Board members should be independent non-executives. An independent Director is a director who in the Board's opinion is free of any interest, position, association or relationship that might (or might be perceived to) influence materially his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its shareholders generally.

CORPORATE GOVERNANCE REPORT - CONTINUED

d. Director Commitments (also see Remuneration Committee Report)

The services of the Managing Director & Chief Executive Officer, Paul Cronin, are supplied under a contract with Adriatic. He is not required to provide these services on an exclusive basis, although any services provided to third parties must avoid conflicts of interest or any interference with his obligation to provide services to the Company.

Mr. Cronin has a separate agreement with Eastern Mining d.o.o. (an operating subsidiary of Adriatic) in respect of his role as Director of that company.

All Non-Executive Directors acknowledge in their letter of appointment that the nature of the role makes it impossible to be specific on maximum time commitment and that at certain times of increased activity, the preparation for and attendance at meetings will increase. All Directors are expected to attend all Board meetings (either in person or by telephone), the AGM, one annual Board strategy meeting a year, committee meetings where appropriate, meetings with the Non-Executive Directors, meetings with shareholders, any meetings forming part of the Board evaluation process, and training meetings.

e. Board Meetings

The Board meets formally at least once a quarter, with additional meetings held as required to review the corporate and operational performance of the Group and address any other issues that need to be dealt with before the next scheduled meeting.

In order to save time and travel expenses as the Directors are based all over the world, most meetings are held by conference call. Due to the ongoing COVID restrictions, the Board did not meet physically during the period.

The agendas of the Board and its Committees ensure that all areas for which the Board has responsibility are addressed and reviewed during the course of the period.

The Chairman is responsible, with the help of the Company Secretaries, for ensuring that the Directors receive Board briefing that is accurate, comprehensive and timely enough to allow them to make proper use of it in the fulfilment of their duties. The Company Secretaries assemble the Board and Committee papers and circulate them to the Directors well in advance of the relevant meeting. The Company Secretaries also take minutes of each meeting.

A summary of attendance at Board meetings in the 6 months ended 31 December 2020 is set out below.

Director	Independent	Maximum possible attendance	Actual attendance
Michael Rawlinson	Yes	6	6
Peter Bilbe	Yes	6	6
Paul Cronin	No	6	6
Julian Barnes	Yes	6	6
Sandra Bates	Yes	6	6
Sanela Karic	Yes	5	5
John Richards	No	-	-

f. Board Committees

The Board has delegated specific responsibilities to the Audit & Risk, Environmental, Social & Governance and Remuneration & Nominations Committees, details of which are set out below. Each Committee has written terms of reference setting out its duties, authority and reporting responsibilities. It is intended that these will be kept under continuous review to ensure they remain appropriate and reflect any changes in legislation, regulation or best practice.

Towards the end of the year the Board established an Environmental, Social & Governance (ESG) Committee, comprised of Sanela Karic (Chair), Peter Bilbe and Michael Rawlinson which held its first meeting in October 2020 following a programme of training provided by the Company's ESG consultants Critical Resource.

There is currently no internal audit function, given Adriatic's modest size, although the Audit Committee keeps this under annual review.

The Board considers that, at this stage in Adriatic's development, it is appropriate for the members of the Remuneration Committee to be also the members of the Nomination Committee, and for the meetings of the two bodies to be held together. However, the separate terms of reference of the two Committees will be respected. This decision will be kept under review by the Board.

g. Audit & Risk Committee

The Audit & Risk Committee's overall goal is to ensure that the Company adopts and follows a policy of proper and timely disclosure of material financial information and reviews all material matters affecting the risks and financial position of the Company. The Committee meets the Company's external auditor and its senior financial management to review the annual and interim Financial Statements of the Company, oversees the Company's accounting and financial reporting processes, the Company's internal accounting controls and the resolution of issues identified by the Company's auditors. It also advises the Board on the appointment of the Auditor, reviews its fees and discusses the nature, scope and results of the audit with the Auditor.

The Audit Committee was chaired during the year by Michael Rawlinson, who was succeeded as Chair by Sandra Bates upon his appointment as Chairman of the Board on 3 August 2020 but remains a member of the Committee. The other members of the Committee were Julian Barnes, and John Richards (until his resignation in July 2020). At the date of the Annual Report the composition of the Audit & Risk Committee was Sandra Bates (Chair), Michael Rawlinson and Julian Barnes. In accordance with the Committee Charter, all of its members have been non-executive and a majority of them independent throughout the period.

The Committee has unrestricted access to the Group's Auditor. The CFO and other executives are invited to attend Committee meetings, as necessary. The Committee meets at least twice a year and met twice during the Period with all committee members attending each meeting.

The Audit Committee Report contains more detailed information on the Committee's deliberations during the Period.

h. Environmental, Social & Governance (ESG) Committee

The role of the Environmental, Social & Governance Committee is to assist the Board in fulfilling its oversight responsibilities, by reviewing and monitoring any matters relating to the management of workforce, community or environmental impacts (in accordance with the policy set out in Annexure A), the management of stakeholder relationships, and the oversight of permitting and relevant regulatory risks. The Committee also seeks to identify opportunities to strengthen the Company's license to operate and to strengthen the sustainability and resilience of the communities and regions where Adriatic companies operate. It will also provide scrutiny of and guidance to executive management on these issues.

Since its formation during the Period and at the date of the Annual Report the composition of the Environmental, Social & Governance Committee was Sanela Karic (Chair), Michael Rawlinson and Peter Bilbe. In accordance with the Committee Charter, all of its members have been non-executive and a majority of them independent throughout the Period. The Committee met twice during the Period with all committee members attending each meeting.

Dominic Roberts, Head of Corporate Affairs and executive lead for ESG compliance acts as the Committee's secretary. Critical Resources, the Company's ESG consultants are contracted to provide direct support to the Committee members during its first 12 months of operation.

The ESG Committee Report contains more detailed information on the Committee's deliberations during the period.

i. Remuneration & Nominations Committee

The Remuneration & Nominations Committee assumes general responsibility for assisting the Board in respect of remuneration policies for the Company and to review and recommend remuneration strategies for the Company and proposals relating to compensation for the Company's Directors and employees. The Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of employment. It has the responsibility for, inter alia, administering share and cash incentive plans and programmes for Directors and other senior management for approving (or making recommendations to the Board on) share and cash awards for Directors and other senior management.

The Remuneration & Nominations Committee is chaired by Peter Bilbe, and its other members during the year were Michael Rawlinson, Milos Bosnjakovic and Julian Barnes. At the date of the Annual Report the composition of the Remuneration and Nominations Committee was Peter Bilbe (Chairman), Sandra Bates and Julian Barnes.

The Committee normally meets at least once a year and met once during the period with all committee members attending each meeting.

The Remuneration Report contains more detailed information on the Committee's role and the Directors' remuneration and fees.

j. Nomination Committee

The role of the Nomination Committee, which comprises three independent directors, is to assist the Board in monitoring and reviewing any matters of significance affecting the composition of the Board and the Executive Team.

The primary purpose of the Committee is to support and advise the Board in:

- maintaining a Board that has an appropriate mix of skills and experience to be an effective decision-making body; and
- ensuring that the Board is composed of Directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance.

The Nomination Committee normally meets at least once a year but was combined with the Remuneration Committee with effect from 3 August 2020 and therefore did not meet during the period.

k. The Board as a Whole

The skills and experience of the members of the Board are set out in their biographical details below. The experience and knowledge of each of the Directors enables them to challenge management and scrutinise performance in a constructive way. The Board believes it has achieved a good balance of experience in financial and operational matters. Board members have diverse national, cultural and career backgrounds, and gender diversity was increased by the appointment of Sanela Karic to the Board in August 2020 respectively.

The Board does not consider that any of the Directors is in danger of "over-boarding" by holding too many directorships at other listed companies to be able to devote sufficient time to Adriatic's business, and Directors are required to consult the Board before accepting any new appointment that might cause a conflict of interests or prevent them from discharging their responsibilities to Adriatic effectively.

New Directors receive a formal induction to the Company including a briefing discussion with existing Directors and a site visit to the project as soon as practicable. Directors are also provided with a memo on the continuing obligations of a company admitted to the London Stock Exchange (Standard Segment), a copy of the QCA Code and the ASX Governance, Principles and Recommendations Guide from the Company Secretaries. Directors also have full access to the Company's management and advisors.

CORPORATE GOVERNANCE REPORT - CONTINUED

I. List of Directors

Michael Rawlinson, Non-Executive Director (Chairman since 3 August 2020)

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.

He is currently the Senior Independent Non-Executive Director at Hochschild Mining, Independent Non-Executive Director at Capital Limited and Non-Executive Director of African Gold Acquisition Corporation.

Peter Bilbe, Non-Executive Director (Chairman until 3 August 2020)

Mr. Bilbe is a mining engineer with 40 years' Australian and international mining experience in gold, base metals and iron ore at the operational, CEO and board levels. He is currently Non-executive Chairman of IGO Limited, an ASX100 company, and is also a Non-Executive Director of Horizon Minerals Limited, an emerging gold producer.

Paul Cronin, Chief Executive Officer and Managing Director

Mr. Cronin is a co-founder and Director of Adriatic Metals and is Executive Director of ASX listed Black Dragon Gold Corp, Non-Executive Director of ASX listed Taruga Minerals and a Non-Executive of TSX listed Global Atomic Corporation. Mr. Cronin has over 20 years of experience in corporate finance, investment banking, funds management, and commodity trading, with a strong European mining focus. Notwithstanding Mr. Cronin's additional commitments, the Board is of the opinion that Mr. Cronin is not "over-boarded" and is able to adequately perform his role with the Company.

Julian Barnes, Non-Executive Director

Mr. Barnes is a geologist with extensive experience in major exploration and development projects. Previously, he was Executive Vice President Dundee Precious Metals with a strong focus on Balkan mining & development. Mr. Barnes founded and led Resource Service Group for nearly two decades, which ultimately became RSG Global and has since been sold to Coffey Mining. His is also Non-Executive Director of Zinc Of Ireland N.L. and Thor Explorations Limited.

Sandra Bates, Non-Executive Director

Ms. Bates is a commercial and strategic international lawyer with over 20 years' experience advising management teams and boards of both listed and private companies in the UK and internationally. Ms Bates is also a Non-Executive Director of Pensana PLC and Aldeia International Limited.

Sanela Karic, Non-Executive Director (appointed 3 August 2020)

Ms. Karic, a Bosnian national, has over 15 years' experience as a lawyer and a career spanning corporate affairs, mergers & acquisitions and human resources. She 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.

John Richards, Non-Executive Director (resigned 8 July 2020)

Mr. Richards is an internationally experienced mining executive with an extensive track record in the initiation and execution of growth strategies and transactions. He currently serves a Non-Executive Director of ASX-listed Saracen Mineral Holdings Ltd and Sheffield Resources Ltd..

m. Board Advice During the Period

The Remuneration and Nominations Committee engaged h2glenfern to undertake a review of the Company's remuneration policies. The board has implemented a number of changes to the remuneration policies, including the implementation of STIP and LTIP programmes for the forthcoming years, further details of which are provided in the Remuneration Committee Report.

Critical Resource were also engaged during the period to support the work of the recently formed ESG Committee.

n. Internal Advisory Roles

i) Company Secretary

The joint Company Secretaries during the period were Gabriel Chiappini (Australia) and Geoff Eyre (UK), the latter of whom combined the role with that of CFO. The Company Secretaries are responsible for advising the Board on the Company's legal and regulatory compliance, including (for the UK) the Market Abuse Regulation, and play a central role in ensuring good governance. They assist the Chairman in preparing for and running effective Board and shareholder meetings and act as the first point of contact for the NEDs on the workings of the Company, providing information and advice, and also general guidance on their duties as Directors. The Company Secretaries report directly to the Chairman on governance matters.

ii) Annual Board Appraisal

In accordance with current best practice and the Code, the Board undertakes an annual formal evaluation of its performance and effectiveness and that of each Director and the Committees. In line with the QCA Code Principles, the evaluation will be based on clear and relevant objectives, seeking continuous improvement. The first evaluation was undertaken in late Q3 2020 and a summary of the findings are set out in section b above.

o. Ongoing Board Development

The Company Secretaries ensure that all Directors are kept informed of developments in relevant legislation, regulations and best practice, with the assistance of the Company's advisers where appropriate.

Non-Executive Directors are encouraged to raise any personal development or training needs with the Chairman or through the Board evaluation process.

i) Succession Planning

The Board does not have a formal emergency succession plan for the Senior Management team. However, succession planning is considered as part of the Remuneration and Nominations Committee's remit and Board members maintain a watching brief to identify relevant internal and external candidates who may be suitable additions to or backup for current Board members.

AUDIT & RISK COMMITTEE REPORT

Sandra Bates,
Chair of the Audit & Risk Committee

I am pleased to present this report on the activities of the Audit & Risk Committee (the Committee) for the Six months ended 31 December 2020.

This report is prepared in accordance with the Quoted Companies Alliance (QCA) corporate governance code for small and mid-sized quoted companies, revised in April 2018. A summary of the Committee's role and membership can be found in the Governance section of this Annual Report.

Committee meetings are held at least twice a year, and the CFO is invited to attend together with the external auditor. During the period, two meetings of the Committee were held, and the following significant issues were considered:

Significant issue	Summary of Significant Issue	Actions and Conclusion
Going Concern	Assessment of the Groups' ability to continue as a going concern as part of the preparation of the financial statements. This includes considering whether the Group has adequate resources to continue in operation for the foreseeable future from the date of anticipated signing of the financial statements. The assessment of going concern covers a period of at least 12 months from the date of signing the financial statements.	Notwithstanding the Group having issued USD 20 million of convertible bonds in December 2020 to Queens Road Capital and completed an equity private placement of £6.2m to European Bank of Reconstruction and Development in November 2020, the audit committee has considered a number of additional factors in respect of going concern including: • at present the Group is in exploration and development phase, and accordingly is not yet revenue generating, but has certain committed operating costs; • The impact of COVID 19 on operations and access to future funding. Management prepared two going concern assessments. The first based on the forecast expenditure for the next 12 months inclusive of discretionary expenditure, based on planned levels of future activity including commencement of construction of the Vares Silver Project. The Second scenario was based on including only committed expenditure and eliminating all discretionary spend including deferral of construction related activities. Based on the second scenario, there is no material uncertainty pertaining to going concern as managing the cash flows is within management's control. The Directors therefore considered the going concern assessment to be appropriate.
Exploration and evaluation assets carrying value	The Group's total exploration and evaluation assets of £12,023,219 (30 June 2020: £9,045,169 and the £22,678,884 exploration and mining asset recognised on acquisition of Tethyan Resource Corp) (30 June 2020 – £nil) are material to the Group's balance sheet. Management are required to assess whether there are any indicators that an asset may be impaired in accordance with IFRS 6 at the end of each reporting period. If any such indicators are identified a full impairment test in line with the requirements of IAS 36 is necessary.	Management prepared an assessment of impairment indicators and considered whether there are any of the indicators of impairment in line with criteria set out under IFRS 6. The impairment assessment did not highlight any impairment indicators and as such an IAS 36 impairment assessment was not required.

Significant issue	Summary of Significant Issue	Actions and Conclusion
QRC Convertible loan	The accounting and disclosure of the convertible loan note payable of £11,590,172 (30 June 2020: £nil) and its imbedded derivative liability value £3,045,213 (30 June 2020: £nil) is a complex area because the loan should be accounted for at fair value per IFRS 9.	Management engaged the services of independent valuation experts to assist in determining the appropriate fair value of the loan from QRC including the fair value of derivative liability.
Tethyan Acquisition & treatment of Options Agreements	The accounting and disclosure of the equity transaction to acquire the Tethyan Resources Corp Group completed on 8th October 2020 is a complex area which requires assessment of whether the equity transaction represents a business acquisition or an asset acquisition under IFRS 3. Consideration needs to be made as to what entities the group controls and at what point did this control pass to the group. Consideration paid as part of the acquisition needs to be apportioned based on the fair value of assets acquired.	Management prepared an assessment of the equity transaction. Assessment in line with criteria set out in IFRS 3 led management to conclude that transaction was an asset acquisition rather than a business acquisition. Assessment in line with criteria set out in IFRS 10 led management to conclude that substantive control of Tethyan Resources Corp and its wholly owned subsidiaries was obtained as part of the second close of the acquisition on 8th October 2020. Assessment of the Option agreements in line with criteria set out in IFRS 10 obtained as part of the Tethyan Resource Corp acquisition led management to conclude that Ras Metals d.o.o. (which the group owned 10% of its equity) was also substantively controlled from 8 October 2020 due to the option agreement allowing it to acquire the remaining share capital of this company (though the group does not have present access to returns due to variable price of consideration still to be paid). This option agreement was enacted subsequent to year end on 22 February 2021. See Section 4 of Financial Statements 'Critical accounting estimates and judgements' for further details. In line with IFRS 10, the excess value of the transaction over the historical value of assets acquired was recognised as an exploration/mining asset. Non-controlling interest in respect of 10% ownership of Ras Metals d.o.o. and other equity balance was also recognised.

External Auditor's Fees

There was no significant non-audit work carried out by BDO subsequent to their appointment. Full details of fees paid during the period may be found in note 18 to the Consolidated Financial Statements.

Objectivity and Independence

The Committee continues to monitor the auditor's objectivity and independence and is satisfied that BDO and the Company have appropriate policies and procedures in place to ensure that these requirements are not compromised.

Re-appointment of External Auditor

The Committee recommends to the Board the re-appointment of BDO as auditor at the forthcoming 2021 annual general meeting (AGM), and BDO has expressed its willingness to continue in office.

Internal Auditor

The requirement for the appointment of an internal auditor is continually assessed by the Committee; the level of spending and complexity of the operations being taken into account when considering this decision. To date, the Committee has decided that an internal audit function is not required but will continue to assess the situation on a regular basis.

Going Concern

The Directors considered it appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements. The going concern statement is detailed in full in note 2c of the Consolidated Financial Statements.

Conclusion

The Committee is satisfied with the quality, independence and objectivity of the external audit and believes that on the basis of the audit it can make a proper assessment of the quality of financial and other systems of reporting and control within the Company.

In respect of its own performance, the Committee considers that it has given appropriate challenge and direction to the finance department, concentrating on the areas that are relevant to the risks facing the Company.

Sandra Bates
Chair of the Audit
& Risk Committee

PROTECTING VALUE FOR OUR SHAREHOLDERS

ENVIRONMENTAL, SOCIAL & GOVERNANCE COMMITTEE REPORT

Sanela Karic
Chair of the Environmental, Social & Governance Committee

Concurrent with the Company's achievement of various milestones on project and corporate development, Adriatic has taken significant steps to further advance our environmental, social & governance (ESG) approach. We recognise that a critical aspect of delivering and protecting value for our shareholders and other stakeholders is to be a responsible operator that adheres to and promotes good mining practice. At a time when the Covid-19 pandemic has continued to threaten lives and livelihoods globally – including in the communities where we operate – acting on our commitments to our stakeholders has been critical.

Activities of the ESG Committee

A major step in our governance approach was the establishment of the Environmental, Social & Governance Committee, which I am delighted to have been asked to Chair. I, my fellow Committee members, and our other Board and management colleagues have identified ESG issues as among the most prominent to be managed at this stage of the Company's development. We are building foundations for the long term, both for the Company and our stakeholders.

As a reflection of our commitment to best practice, the Committee has undertaken training to build further on the wealth of ESG expertise among the Committee members and to ensure this is applied as effectively as possible.

Since its establishment, the ESG Committee has held regular meetings and ongoing engagement. Areas of focus have included: the development of a dashboard of ESG KPIs against which to monitor the Company's ESG performance; oversight of progress on project permitting; input into governance arrangements for the Adriatic Foundation; examination of the key issues arising from the ESIA process and how these will be managed; and a review of the Company's approach on areas such as environmental and tailings management and stakeholder engagement. We expect that the Committee's work programme in 2021 will continue to focus on these areas, as well as reviewing ESG issues at Raska, ensuring a proactive approach to local hiring and procurement, and supporting robust and transparent ESG communications and public reporting.

Highlights from the Company's ESG activities over the reporting period

The Company's governance of ESG issues has been further strengthened by the development of a framework of ESG policies to guide our activities. The framework includes policies on Anti-Bribery and Corruption, Environment, Climate Change, Health and Safety, Human Rights, Human Resources, Social Performance and Community, Procurement, and a Modern Slavery statement.

Our relationships with the communities where we work have continued to be strong and positive. We have taken various measures to ensure that the Company's engagement with our host communities can continue in a safe way during the Covid-19 pandemic. For example, our Public Liaison Committee in Vares, which consists of 28 community members, has continued to convene regularly, including via virtual and telephone sessions. We have also continued to share updates and collect feedback through other engagements, such as through the distribution of community newsletters and project information leaflets, and through public consultation sessions as part of our ESIA process.

As our Vares projects advance, we are shifting our approach to social investment to support and promote the region's long-term sustainable development. Over the past six months, we have laid the groundwork for the creation of the Adriatic Foundation, which is expected to be formally established in Q2 2021. The Foundation will be governed by a Board of Trustees with independent members from our local community and will support projects that aim to bring about positive, lasting socio-economic impacts in the local community, with a focus on education, environmental protection and healthcare.

With a view to the commencement of construction activities in 2021, we continued to prepare for local hiring and sourcing of goods and services, including through the establishment of training plans and engagement with local employment centres. We have also been working with a high school in Vares to reinstate and update a mining training course, which will support the development of young local talent.

Our environmental work has continued at pace during the second half of 2020, with most of our activities centred on the international-standard ESIA for our Vares projects. We have completed an interim baseline report and collected almost all of the necessary baseline data. We expect to complete our data collection and field research by summer 2021, and then subsequently complete the project impact modelling and assessment.

We expect 2021 to be an even more significant year for the Company, with ESG being a core pillar of our approach. We seek to continue our close engagements and partnerships with all of our stakeholders, to ensure a healthy and safe working environment, and to have positive and lasting impacts in the areas where we operate.

Sanela Karic
Chair of the Environmental, Social & Governance Committee

STRONG ALIGNMENT OF REMUNERATION POLICY WITH SHAREHOLDER INTERESTS

REMUNERATION COMMITTEE REPORT

PART 1 – SUMMARY STATEMENT FROM THE CHAIRMAN

Peter Bilbe,
Chairman of the Nominations and Remuneration Committee

Dear Shareholder

On behalf of the Board, I am pleased to present the Remuneration Committee Report, which sets out the remuneration policy and the directors' remuneration for the six months ended 31 December 2020 (Period). It has been prepared in accordance with the requirements of The Large and Medium-sized Companies and Groups (Accounts and reports) (Amendment) Regulations 2013 (the Regulations).

The Regulations apply to the Company because it is a UK incorporated company and was admitted to the Standard Segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange's Main Market (Standard Segment) on 12 December 2019. The Company has resolved to comply with the provisions of the Quoted Companies Alliance Corporate Governance Code (QCA Code) so far as is practicable given the Company's size, nature and stage of development and has prepared this report with regard to the QCA Remuneration Committee Guide for small and mid-sized quoted companies, revised in 2018. A summary of the Remuneration Committee's role and membership can be found in the Governance section of this Annual Report.

After this introductory letter, this report is split into two parts:

1. Our Remuneration Policy, which became effective for a period of three years when it was passed by a binding shareholder resolution at the 6 November 2020 AGM, and
2. the Annual Statement on Remuneration covering the six months ended 31 December 2020, reflecting the arrangements in place during that Period.

An important point to note is that, as required by ASX rules, all share incentive awards to Directors during the period were also approved by shareholders at a general meeting. Share awards are a key part of Adriatic's director remuneration policy and the central element of director incentivisation.

Remuneration policy

The Remuneration Policy is intended to fit the current size and profile of the Group, to support the achievement of the Group's operational, business, financial and strategic objectives and align the interests of the directors with shareholders over the short and longer term. To achieve our goals, the Group seeks to provide competitive overall pay, split between fixed and performance-related elements.

To date and during the Period, the approach to executive remuneration has been to limit the cash cost through modest salaries (or consulting fees), no pension or benefit arrangements, limited and focused key performance indicator (KPI) bonuses and to make significant share incentive awards either as options or performance rights, normally with operational or share price performance targets to be met by specified dates which do not correspond to specific one or three year financial periods. Paul Cronin our CEO receives base remuneration split between Director's fees and consultancy fees paid to a service company, no pension or benefits, a KPI bonus at modest levels for achieving specific targets which was not operated on an annual bonus and has received significant share awards reflecting his contribution to the development of the Company when his cash remuneration was substantially below commercial levels. The Chairman's and non-executive directors' remuneration has been pitched at modest levels with one-off option awards. As an Australian listed company, all share awards to directors have been approved by shareholders.

As the company develops including bringing its lead asset into production and building its asset portfolio, it will develop its executive, senior team and non-executive director remuneration arrangements to reflect its changing profile and priorities. The Company proposed a new directors' remuneration policy as laid out in our 2019/20 Annual Report and approved at our AGM on 6th November 2020 with the support of 97.0% of votes cast. This policy was designed to provide scope and flexibility for the company to develop its remuneration arrangements over time towards arrangements which are more conventional for mid cap international quoted resources business.

The Company will develop its remuneration arrangements over time in accordance with this policy. It intends to review and change the Executive Director's base remuneration from July 2021 and increase the fee levels of the Chairman and Non-Executive Directors from January 2022 as reflected later in this document. No further option awards will be granted to the Chairman or non-executive directors.

The Company has implemented a structured short-term cash based incentive plan to operate on an annual basis starting from 1 January 2021. The Company also intends to operate a structured long-term incentive strategy entailing awards of performance rights granted annually subject to total shareholder return and corporate targets with the first awards being granted in January 2022. Further detail on forward remuneration is set out at the end of this remuneration report.

The Remuneration and Nominations Committee is abreast of developments in corporate governance and good practice. The Company has resolved to comply with the QCA Code so far is as is practicable given the Company's size, nature and stage of development and the remuneration arrangements in the future are intended to comply with good practice reflecting the company's size and profile, and with the QCA Code, not the UK Corporate Governance Code (published by the FRC) which Premium List companies are required to comply with.

Annual statement

The following section, the Annual Statement on Remuneration covering the six months ended 31 December 2020, reflects the arrangements in place over that Period. Given that the Company was admitted to the ASX in April 2018 and to the Standard Segment of the London Stock Exchange in December 2019, some of the disclosures required by the Regulations have limited applicability and where this is the case, we have stated this in the relevant sections of this report.

At the end of this section, we set out details of how we intend to operate Executive Remuneration during 2021.

Remuneration Committee

Remuneration Committee meetings are normally held at least once a year and met once during the six months ended 31 December 2020. Additionally, matters for its consideration were discussed at Board meetings on several occasions. On each occasion, no Director was present while matters concerning him or her were discussed, and all decisions were taken by Non-Executive Directors, in accordance with the Remuneration Committee's Charter.

Context within which Remuneration managed

As detailed elsewhere in this annual report, during the Period the Company achieved considerable progress towards our main objective of developing the Vares Silver Project including completion of associated equity and debt financing that have the potential to deliver growth for the benefit of Adriatic's shareholders. The company also completed the acquisition of Tethyan Resource Corp with a view to developing a pipeline of projects and becoming a multi-mine producer.

Principal actions and decisions during the Period

As reflected earlier in this annual report, the Board was pleased with progress achieved during the Period. The principal decisions in respect of remuneration taken during the Period were:

- Approving the employment terms of our new Head of Corporate Affairs who is not a director
- Awards of performance rights to the Head of Corporate Affairs and Head of Exploration, neither of whom are directors, in August 2020
- Approving the vesting of performance rights held by the CFO and Head of Exploration, neither of whom are directors, in December 2020
- Increasing the fee of our new Chairman, Michael Rawlinson to £50,000 per annum and reducing the fee of Peter Bilbe to £30,000 following his move from Chairman to Non-Executive Director
- Appointed h2glenfern Remuneration Advisory in August 2020 to provide advice and assistance on executive, Non-Executive Director and Senior Management remuneration policy.

Principal actions and decisions after the period end

Following consideration of the remuneration policy review report produced by h2glenfern the Company has made a number changes to the Remuneration policy for 2021 including changes to base remuneration as referred to above and set out in greater detail later in this report. Details of these changes are provided on page 60 of the Remuneration Committee Report.

Following Mr. Cronin's decision to permanently relocate to Bosnia & Herzegovina from 1 January 2021, the Company, Swellcap Limited and Mr. Cronin entered into an agreement pursuant to which the service contract between Swellcap Limited and the Company dated 1 July 2019 was terminated. The Company entered into a new agreement on substantially the same terms directly with Mr. Cronin with a commencement date of 1 January 2021. No compensation was paid or will be paid to either Swellcap Limited or Mr. Cronin in connection with these changes.

AGM

At our AGM on 6 November 2020, the annual advisory resolution to approve the Directors' Remuneration Report and the binding resolution on our Remuneration Policy contained in our 30 June 2020 Annual Report (which is required to be put to shareholders every three years) were approved with the support of 98.1% and 97.0% of votes cast, respectively. The Directors are not aware of the reason for the modest vote against. As required under the rules of the ASX, all share incentive awards granted to Directors during the Period including the share option award to our new Non-Executive Director Sanela Karic and to amend the Articles to increase the cap on Non-Executive Director fees, were approved by shareholders at general meeting.

I hope that you find this report helpful and informative and I look forward to receiving further feedback from our investors on the information presented.

Peter Bilbe
Chairman of Remuneration Committee

REMUNERATION COMMITTEE REPORT

PART 2 – REMUNERATION POLICY

The Company's remuneration policy seeks to provide a strong and clear link between business strategy and incentive arrangements. No payments may be made that are inconsistent with the policy that was approved at our 6 November 2020 AGM, and it must be approved by the shareholders once every three years, or whenever there is a proposal to amend it.

Executives and management

The Board is responsible for determining and reviewing compensation arrangements for the Directors and senior executives reporting to the Chief Executive Officer. 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 Board to the Group's financial circumstances and performance.

To date and at present, the approach to remuneration is to limit the cash cost through modest salaries and fees, no pension or benefit arrangements, limited and focused key performance indicator bonuses and to make significant share incentive awards either as options or performance rights, typically with operational or share price performance targets to be met by specified dates which do not correspond to specific one or three year financial periods.

As part of its suite of corporate governance policies and procedures, the Board has adopted formal Remuneration and Nomination Committee Charters and this Remuneration Policy, which was approved by shareholders for the first time under English company law at the Company's 6 November 2020 AGM.

The table below summarises the main elements of the remuneration package for Directors.

Element	Purpose and link to remuneration policy	Key features and operation	Maximum opportunity	Applicable performance measures
Base salary	Supports the recruitment and retention of Executive Directors of the calibre required to fulfil the role without paying more than necessary. Reflects skills, experience, role.	Base salaries are set by the Remuneration Committee (Remcom) and reviewed annually, and increases are effective from 1 January, although increases may be awarded at other times if the Remcom considers it appropriate. In determining base salaries, the Remcom considers: pay levels at companies of a similar size and complexity, external market conditions; pay and conditions elsewhere in the Group; role of individual and personal performance. Directors may be paid consultancy fees through service companies.	There is no maximum value.	None.
Benefits	To help recruit, retain and motivate high performing Executives.	None are provided or anticipated at present.	No maximum value. The Group may provide additional market competitive benefits such as private healthcare and car allowance.	None.
Pension	To help recruit, retain and motivate high performing Executives.	None are provided or anticipated at present	If introduced, the maximum amount would be 10% of base salary plus consultancy fees.	None.
Bonus	Rewards and incentivise the achievement of annual objectives which are aligned with key strategic goals and supports the enhancement of shareholder value.	Operational, financial and/ or other targets are set to be achieved by specified dates triggering the payment of specified amounts. Awards subject to targets may be set at any time and are not set on an annual basis. Paid in cash following meeting of target. Bonuses are non- pensionable. May be paid in shares at the Committee's discretion.	Maximum potential values will not exceed 100% of base salary and consultancy fees in any year. Existing arrangements are set out in the annual report section below. The Company does not anticipate putting further bonus arrangements in place for the Executive Director before 1 July 2021.	Specific targets and weightings may vary according to strategic priorities and may include: financial performance, operational performance, attainment of personal and strategic objectives. Weighting will focus on operational targets.

Element	Purpose and link to remuneration policy	Key features and operation	Maximum opportunity	Applicable performance measures
Long term incentive plan	Incentivises executives to achieve the Company's long term strategy and create sustainable shareholder value. Aligns with shareholder interests through the potential delivery of shares.	Awards of performance rights or options under either of 2019 share award plans which vest subject to operational, financial and/ or share price targets to be achieved by specified dates triggering the payment of specified amounts. Awards subject to targets may be set at any time and are not set on an annual basis. Vesting schedule is at the Committee's Discretion and may be different for each award. A summary of the key terms of the plans is set out later in this policy section.	Market value of award will not normally exceed 100% of the individual's salary and consultancy fees. In exceptional circumstances, such as initial awards, awards to facilitate hiring, new strategic periods, market value at award may be up to 300% of salary. The Company does not anticipate making further long term incentive awards to the Executive Director before 1 July 2021. Existing arrangements are set out in the annual report section below.	Specific targets and weightings may vary according to strategic priorities and may include operational, share price or financial performance, attainment of personal and strategic objectives Weighting is likely to focus on operational and share price targets.
Non-executive fees	Fees for Non-Executive Directors are set at an appropriate level to recruit and retain directors of a sufficient calibre without paying more than is necessary to do so. Fees are set taking into account the following factors: the time commitment required to fulfil the role, typical practice at other companies of a similar size, and salary levels of employees throughout the Group.	Fees are reviewed at appropriate intervals (normally once every year) by the Board with reference to individual experience, the external market and the expected time commitment required of the director.	There is no maximum value.	
Non-Executive share awards	To help recruit, retain and motivate appropriately skilled non-executive directors and align them with shareholders.	In the past the Company has made one-off awards of options with exercise prices above the prevailing share price at the time of the award. No performance conditions are attached and the options vest immediately and lapse three years after grant.	Awards have been made before the date of this annual report, one further award was made to a Non-Executive Director, Sanela Karic, as detailed in the letter above approved by resolution at the AGM. Beyond this, only modest awards, with a market value up to £50,000 may be made to the Chairperson or Non-Executive Directors.	

REMUNERATION COMMITTEE REPORT

PART 2 – REMUNERATION POLICY CONTINUED

Shareholder approval

This Policy set out above was approved by shareholders at the 6 November 2020 AGM and became effective from that date for a period of three years.

No further approvals are required under UK law in relation to the operation of the existing or future share options plans. However, shareholder approvals may be required in future under applicable ASX rules.

Equity incentive schemes

A summary of the key terms of the ESOP 2019 and the Option Plan 2019 was set out in our 2019/2020 annual report.

Malus and Clawback

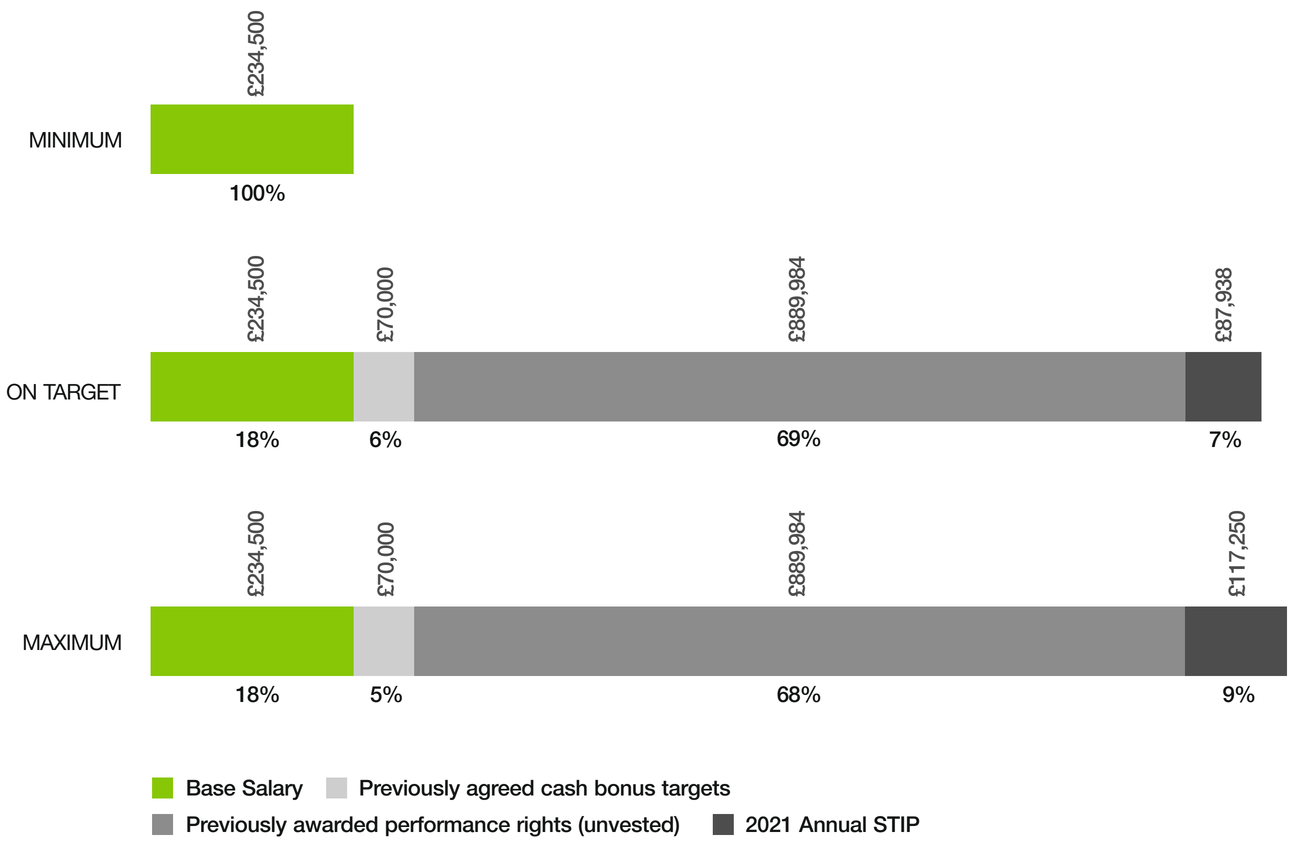
Historically, neither the bonus nor the long term incentive plans have contained malus or clawback provisions, reflecting the size and profile of the Company when these plans were approved by the Board. However, future bonus and long term incentive awards will have malus and clawback provisions attached in line with UK governance best practice.

POLICY PROVISIONS RELATING TO EXECUTIVE DIRECTOR'S REMUNERATION

Illustration of application of remuneration policy

To date the Company's remuneration policy has been differentiated from how UK-listed companies normally operate remuneration. Whilst a significant proportion of the potential remuneration of the Executive Director is variable and is therefore performance related, performance related pay has not been awarded or operated according to a fixed annual or longer period or with fixed parameters applied. This is anticipated to change with the introduction of a new annual bonus plan (STIP) for the year ending 31 December 2021 onwards and long term performance rights awards (LTIP) on an annual basis commencing from 1 January 2022.

An illustration of the application of the policy for 2021 is set out below. The charts below give an indication of the level of remuneration that would be received by the Executive Director in accordance with the Directors' remuneration policy.



The charts provide estimates of the potential future reward opportunities for the Executive Director for the year ending 31 December 2021, and the potential split between the different elements of remuneration under three different performance scenarios: "Minimum"; "On target"; and "Maximum". The "On target" scenario will be calculated based achievement of the previously agreed cash bonus and performance rights vesting targets and achieving 75% of the maximum potential award under the STIP. The "Maximum" scenario has been calculated assuming that the Director achieves the maximum allowed STIP bonus which for 2021 will be capped at 50% of Mr. Cronin's base salary.

There are presently no other executive directors.

How employee pay is taken into consideration

When determining remuneration policy and arrangements for Executive Directors, the Remuneration Committee considers the wider pay and employment conditions elsewhere in the Group to ensure pay structures from Executive Director to senior executives are aligned and appropriate. The Remuneration Committee did not consult with its employees in formulating this policy.

Shareholder views on remuneration

The Chair of the Remuneration Committee will be available to contact shareholders concerning the Company's approach to remuneration. The Company welcomes a dialogue with its shareholders and will seek the views of its major shareholders if and when any major changes are being proposed to the policy.

Alignment of executive remuneration and the market

The Remuneration Committee sets Director remuneration policy in the light of its knowledge of remuneration at comparable companies and will undertake benchmarking exercises periodically so that it can do this. This is done to ensure Executive Director remuneration is appropriate, competitive and not excessive.

Approach to remuneration on recruitment

In the event that the Company recruits a new Executive Director (either from within the organisation or externally) when determining appropriate remuneration arrangements, the Remuneration Committee will take into consideration all relevant factors (including but not limited to quantum, the type of remuneration being offered and the jurisdiction the candidate was recruited from and in which he/she will primarily be located) to ensure that arrangements are in the best interests of both the Company and its shareholders without paying more than is necessary to recruit an Executive Director of the required calibre.

The Remuneration Committee would generally seek to align the remuneration package offered with the Company's remuneration policy outlined in the table above. However, the Remuneration Committee retains the discretion to make proposals on hiring a new Executive Director which are outside the standard policy:

- In the first year of appointment, the Committee may offer additional remuneration arrangements that it considers appropriate and necessary to recruit and retain the individual which shall not be offered in successive years; and
- It may also offer awards on appointing an Executive Director to "buy-out" remuneration arrangements forfeited on leaving a previous employer.

Executive Director's service contracts

During the Period, the services of the CEO and Managing Director were provided under a service contract with Swellcap Limited with commencement date 1 July 2019. These are not of a fixed duration and are terminable by either party giving six months' written notice. Contracts entered into with Executive Directors will have a notice period not exceeding 12 months.

As noted preciously, following Mr. Cronin's permanent relocation to Bosnia & Herzegovina on 1 January 2021, the Company, Swellcap Limited and Mr. Cronin entered into an agreement pursuant to which the service contract between Swellcap Limited and the Company date 1 July 2019 was terminated. The Company entered into a new agreement on substantially the same terms directly with Mr. Cronin with a commencement date of 1 January 2021. No compensation was paid or will be paid to either Swellcap Limited or Mr. Cronin in connection with these changes.

REMUNERATION COMMITTEE REPORT

PART 2 – REMUNERATION POLICY CONTINUED

Policy for payments for loss of office

Notice periods set in the Executive Directors' service contracts are driven by the need to protect shareholder value and interests. As noted above, the service contract of the Executive Director has a notice period of six months. A bonus is not usually paid to a "good leaver" or any leaver should they leave before the payment date of said bonus.

The principles governing determination of payments for loss of office are:

- service contracts legally oblige the Company either to continue to pay salary and pension allowances and other contractual benefits for any unworked notice period or, at the option of the Company, to make payment in lieu of notice unless where an Executive Director's employment is summarily terminated. The Remuneration Committee reserves the right to make discretionary payments in lieu of notice which may be paid in a lump sum, quarterly or monthly;
- the payment of a performance bonus and/or other short term incentives may be offered to the departing Executive Director during his/her notice period, based on an assessment of personal and corporate performance up to the date of departure. Bonuses will not be paid for any unworked period of notice;
- where a role fulfilled by an Executive Director is declared redundant then the individual may have the legal right to either statutory redundancy pay or to a payment under the Group's normal severance arrangements applicable to employees generally; and
- in case of poor performance, contractual termination payments may generate undue and potentially excessive reward; in such circumstances, the Remuneration Committee will consider terminating a service contract on a fair basis, whilst protecting the rights of the Company.

The Company's various incentive schemes are governed by formal rules, approved by shareholders. Executive Directors have no contractual rights to the value inherent in any awards held under these plans and these plans provide for vesting in different leaver scenarios. Unless otherwise agreed by the Board, unvested awards will lapse when an Executive Director ceases to be employed by the Company. However, in cases of death, ill-health, injury, redundancy, retirement or the transfer of employment from one company to another company in the Group, awards will lapse unless the Board, in its absolute discretion, determines otherwise.

If employment or service is terminated by the Company, the departing Executive Director or senior executive may have a legal entitlement (under statute or otherwise) to additional amounts, which would need to be met. The Remuneration Committee retains discretion to settle any other amounts reasonably due to the Executive Director or senior executive where the Company wishes to enter into a settlement agreement. In certain circumstances, the Remuneration Committee may approve new contractual arrangements with the departing Executive Director or senior executive, potentially including settlement, confidentiality, restrictive covenants and/or consultancy arrangements. These will only be used where the Remuneration Committee believes it is in the best interests of the Company.

The Remuneration Committee generally seeks to apply practical mitigation in respect of termination payments where appropriate. Any ex-gratia payments made at the discretion of the Remuneration Committee in excess of statutory or contractual obligations will be limited to an amount not exceeding one year's bonus plus legal fees, so long as such fees do not exceed £10,000.

Flexibility, discretion and judgement

Attempt has been made to ensure that the majority of situations and scenarios that may arise in relation to Executive Directors' remuneration have been covered in this policy. There may be times when the Remuneration Committee may need to exercise appropriate discretion, judgement or flexibility to achieve a fair result; as no remuneration policy, however comprehensive and carefully designed and implemented can pre-empt every possible scenario. Discretion must be available to the Remuneration Committee at times where changes to business requirements demand it has the ability to assess and amend pay and short term or other incentives as appropriate in order to motivate, drive appropriate behaviours and incentivise performance to promote the long term success of the Company. Judgement and flexibility may also be needed in downgrading, as well as upgrading certain remuneration elements, or in determining a suitable balance between fixed and performance-related, immediate and deferred remuneration, thereby permitting the Remuneration Committee to adapt to changing or challenging situations in the overall business environment for the benefit of the Company, including considerations of political and social pressures to which the Company may be subject. Although the Remuneration Committee will seek to maintain a strict adherence to the three year policy whenever possible, the requirement to engage with shareholders each and every time a measure is identified as being required can be onerous in time and expense. The Remuneration Committee remains wholly committed to maintaining engagement with shareholders throughout the three year life of the policy and, where appropriate, shall formally engage them in placing a revised policy to a General Meeting for approval before the three year period expires. The Remuneration Committee however requests the ability (and flexibility) to exercise their discretion and judgement to ensure that the determination and implementation of this policy is fair to both the Executive Directors and the shareholders, whilst taking into account the overall performance of the Company and any relevant internal and external factors.

Non-Executive Directors

The Non-Executive Directors signed letters of appointment with the Company upon appointment for the provision of Non-Executive Directors' services, terminable by three months' written notice given by either party.

Non-Executive Director	Appointment date
Michael Rawlinson	4 March 2019
Peter Bilbe	16 February 2018
Julian Barnes	16 February 2018
Sandra Bates	11 November 2019
Sanela Karic	3 August 2020

The Non-Executive Directors' remuneration (including that of the Chairperson) reflects the anticipated time commitment to fulfil their duties. Non-Executive Directors do not receive benefits, a pension or compensation on termination of their appointments or bonus. In the future, they will not receive further major long term incentive awards (see policy table for details). When recruiting a new Non-Executive Director, the Remuneration Committee will follow the policy set out in the table above. The letters of appointment do not include any provisions for the payment of pre-determined compensation upon termination of appointment and notice may be served by either party. All appointments are subject to the Company's Articles of Association (Articles) and re-election by shareholders in accordance with the provisions contained in the Articles.

If the Board is contemplating a transaction that requires more work than would normally be expected of Non-Executive Directors, their fees may be increased by up to 100%, to a level to be determined by the Board at that time.

The Directors have responsibility to review, monitor and make recommendations to the Board regarding the orientation and education of directors which includes an annual review of the directors' compensation programme.

The Articles provide that each Director is entitled to such remuneration from the Company as the Directors decide, but the total amount of fees provided to all Non-Executive Directors must not currently exceed £400,000 (A$725,000) per annum.

The Director's service agreements and letters of appointment are held at the registered office and are available for shareholders to view on request from the Company Secretaries.

REMUNERATION COMMITTEE REPORT

PART 3 – REMUNERATION REPORT (AUDITED)

The Group paid the following remuneration to each Director:

(In GBP) Six months ended 31 December 2020

	Total Salaries and fees (A)	Cash bonus (C)	Share awards vesting in year (C)	Total remuneration	Total fixed remuneration	Total variable remuneration
Executive Directors						
Paul Cronin	106,859	-	-	**106,859**	106,859	-
Non-Executive Directors						
Michael Rawlinson	23,333	-	-	**23,333**	23,333	-
Peter Bilbe	16,642	-	-	**16,642**	16,642	-
Julian Barnes	15,000	-	-	**15,000**	15,000	-
Sandra Bates(1)	15,000	-	-	**15,000**	15,000	-
John Richards(2)	642	-	-	**642**	642	-
Sanela Karic(3)	78,533	-	-	**78,533**	78,533	
Total Directors' Remuneration	**256,009**	**-**	**-**	**256,009**	**256,009**	**-**

(In GBP) Year ended 30 June 2020

	Total Salaries and fees (A)	Cash bonus (C)	Share awards vesting in year (C)	Total remuneration	Total fixed remuneration	Total variable remuneration
Executive Directors						
Paul Cronin	208,158	30,000	**620,731**	**858,889**	208,158	650,731
Milos Bosnjakovic(5)	238,897	-	**-**	**238,897**	238,897	-
Non-Executive Directors						
Michael Rawlinson	195,107			**195,107**	195,107	-
Peter Bilbe	47,642	-		**47,642**	47,642	-
Julian Barnes	30,000	-		**30,000**	30,000	-
Sandra Bates(1)	53,356			**53,356**	53,356	-
John Richards(2)	52,282			**52,282**	52,282	-
Eric de Mori(5)	7,480	-		**7,480**	7,480	-
Total Directors' Remuneration	**832,922**	**30,000**	**620,731**	**1,483,653**	**832,922**	**650,731**

Notes:

A) Total amount of salaries and fees includes money or other assets received or receivable for the relevant financial year, including share awards without performance measures or targets vested in the relevant year. The monetary value of share awards is calculated as the number of awards vested multiplied by the share price on the vesting date less options exercise price or performance rights nominal value payable.

B) There were no taxable benefits in either the current or prior year

C) Money or other assets received or receivable for the relevant financial year as a result of the achievement of performance measures and targets relating to a period ending in that financial year. The monetary value of share awards is calculated as the number of awards vested multiplied by the share price on the vesting date less options exercise price or performance rights nominal value payable.

D) There were no pension related benefits in either the current or prior year

1: Appointed 11 November 2019 2: Appointed 11 November 2019, resigned 8 July 2020

3: Appointed 3 August 2020 4: Until 11 June 2020 5: Resigned 8 October 2019

The monetary value of vested share awards granted to each Non-Executive Director without performance measures or targets included in total salaries and fees was as follows:

(In GBP)	6 months ended 31 December 2020	Year ended 30 June 2020
Michael Rawlinson	-	165,107
Peter Bilbe	-	-
Julian Barnes	-	-
Sandra Bates	-	34,070
Eric de Mori	-	-
John Richards	-	34,070
Sanela Karic	66,244	-
	66,244	233,247

Paul Cronin was appointed CEO and Managing Director on 18 September 2019. His total remuneration during the six months ended 31 December 2020 was £106,859 (year ended 30 June 2020: £858,889).

No payments for loss of office were made in the current Period or in the prior year.

Directors' fees are paid monthly in arrears.

Gains on the exercise of share options by Directors during the six month period ending 31 December 2020 were as follows:

	Date of Grant	Date of exercise	Exercise price	Number of performance rights exercised	Share price on date of exercise	Gain on exercise
Peter Bilbe	27 April 2018	20 November 2020	A$0.30	600,000	A$2.23	£641,782

The exercise price is calculated based on the share price at date of the agreement being entered into between the Company and the Director and may not be the same as the share price on the date of grant due to timing differences arising as a result of the ASX requirement for shareholders to approve all options and share awards to Directors.

There were no gains on the exercise of share options by Directors during the previous year.

There were no gains on the exercise of performance rights by Directors during the six month period ended 31 December 2020.

	Date of exercise	Nominal consideration payable on exercise of each performance right	Number of performance rights exercised	Share price on date of exercise	Gain on exercise
Paul Cronin	8 January 2020	£0.013355	750,000	A$1.675	£647,187

The 750,000 Performance Rights exercised by Mr. Cronin during the prior year were granted on 29 November 2019 following shareholder approval and vested on the test date of 31 December 2019 because the performance criteria of (a) completing the scoping study for the Vares Silver Project; and (b) the Volume Weighted Average Market Price per CDI (as quoted on ASX) exceeded A$1.25 for the 5 consecutive trading days immediately prior to 31 December 2019 had been met.

KPI bonus

During the prior year ended 30 June 2020, the Board set the following KPIs, and accompanying bonus amounts, for Mr. Cronin as follows:

KPI Target	Bonus Amount	Status
Admission of the Company to the London Stock Exchange	£30,000	Paid during the year ended 30 June 2020.
Issue of an exploitation permit for Veovaca	£35,000	Paid in February 2021
Issue of an exploitation permit for Rupice.	£35,000	Not yet met

No KPI's were paid during the six months ended 31 December 2020 and no new KPIs were set for Mr. Cronin during the period. However, as part of a structured annual, cash based short term incentive plan the Company has implemented with effect from 1 January 2021, new KPIs that have been set for Mr. Cronin for the year ending 31 December 2021 as outlined later in the Remuneration Policy in 2021 section of this report.

REMUNERATION COMMITTEE REPORT

PART 3 – REMUNERATION REPORT (AUDITED)
- CONTINUED

Equity incentives

The following options were granted to Directors of the Company during the year. The options granted to Non-Executive Directors do not have performance conditions, vest immediately on the date of grant and lapse three years from the date of grant:

	Date of grant	Exercise price (A$)	Number of options
Sanela Karic	6 November 2020	2.20	1,000,000
			1,000,000

The exercise prices of these options were agreed at the time the awards were proposed to the individual. The options award was subsequently approved by shareholders, as is required by the ASX, at the Annual General Meeting of the Company on 6 November 2020.

There was no grant of performance rights to Directors of the Company during the period.

The interests in the Company's shares and other securities held by Directors at 31 December 2020 that served during the period is set out below:

	Number of Ordinary Shares	Percentage of Issued Share Capital	Number of Options	Number of Performance Rights
Paul Cronin	17,601,132	8.48%	5,000,000	750,000
Peter Bilbe	760,000	0.37%	900,000	-
Michael Rawlinson	40,000	>0.01%	1,000,000	-
Julian Barnes	-		1,000,000	-
Sandra Bates	-		1,000,000	-
Sanela Karic	-		1,000,000	-
John Richards	-		-	-
	18,401,132		**9,900,000**	**750,000**
In issue at 31 December 2020	207,576,675		17,369,827	3,735,000
Percentage held by directors that served during the year	8.86%		57.00%	20.08%

As at 31 December 2020, all options in the table above had vested and none of the performance rights had vested.

Advice on remuneration

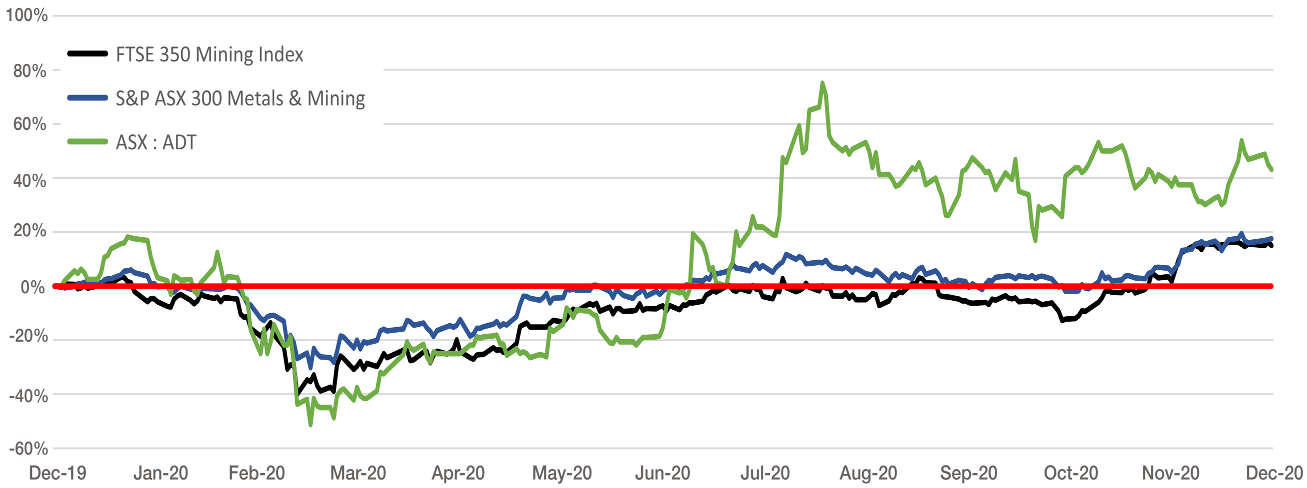
During the period, h2glenfern Remuneration Advisory provided advice to the Company with respect to the Executive Directors' remuneration. Fees were charged pursuant to a cost incurred basis in relation to advice and support on the proposed new remuneration policy and totalled £23,000 excluding VAT in the period to 31 December 2020. h2glenfern Remuneration Advisory has no other connection with the Company. h2glenfern Remuneration Advisory has confirmed that it has operated in accordance with the Code of Conduct of the Remuneration Consultants' Group in relation to Executive remuneration consulting in the United Kingdom. The Remuneration Committee has therefore satisfied itself that all advice provided by h2glenfern was objective and independent.

Other disclosures on remuneration for the 6 months ended 31 December 2020

Other than option awards detailed above, no other remuneration was paid or payable during the year. As such, there are no further disclosures to be made in respect of salaries or fees, pension, benefits, annual bonus or long term incentive awards. No payments were made for loss of office during the year. There were no payments during the year to past directors.

UK performance graph against CEO remuneration

The Directors have considered the requirement for a UK performance graph comparing the Company's Total Shareholder Return with that of a comparable indicator. The comparable indicators chosen are indexes in similar industry classification on exchanges in which the Group are listed, being the FTSE 350 Mining Index and S&P ASX 300 Metals & Mining. The chart below illustrates the Company's share price performance during the year compared to relevant market indices:

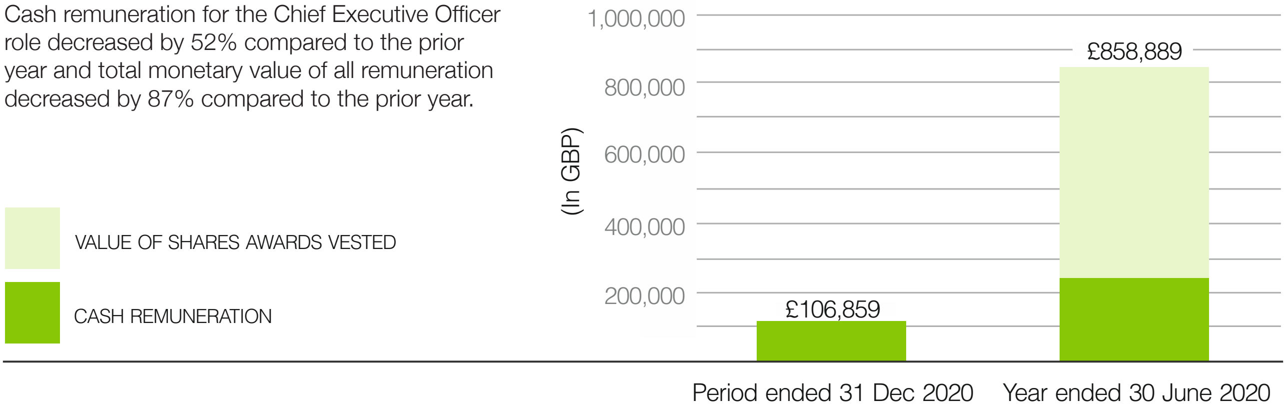


The total monetary value of remuneration for the person undertaking the role of Chief Executive Officer was as follows:

(In GBP)	6 months ended 31 December 2020	Year ended 30 June 2020
Cash remuneration	106,859	238,158
Value of share awards vested	-	620,731
	106,859	**858,889**

CEO Remuneration

Cash remuneration for the Chief Executive Officer role decreased by 52% compared to the prior year and total monetary value of all remuneration decreased by 87% compared to the prior year.



REMUNERATION COMMITTEE REPORT
PART 3 – REMUNERATION REPORT (AUDITED) - CONTINUED

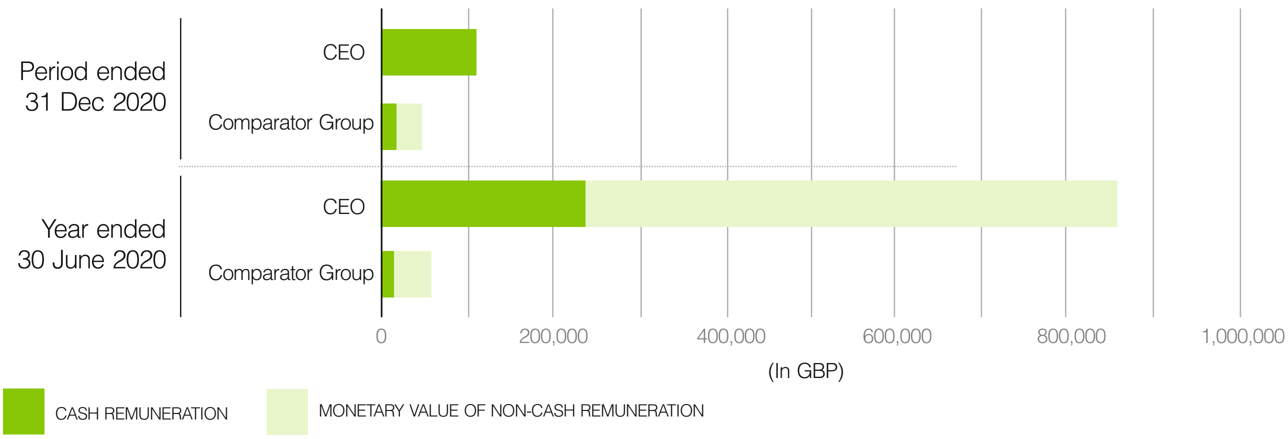
Relative importance of spend on pay

The Directors have considered the requirement to present information on the relative importance of spend on pay compared to other financial metrics.

The total monetary value of Group remuneration was as follows:

(In GBP)	6 months ended 31 December 2020	Year ended 30 June 2020
Cash remuneration	1,418,362	1,299,362
Value of share awards vested	748,834	973,351
	2,167,196	2,272,713
Average number of employees	73	39

All employees, including all other Directors, key management personnel and those engaged via personal service contracts were chosen as the most appropriate comparator group as this includes senior executives and international employees. Average remuneration of the comparator group compared to that of the CEO in the current and previous year, was as follows:

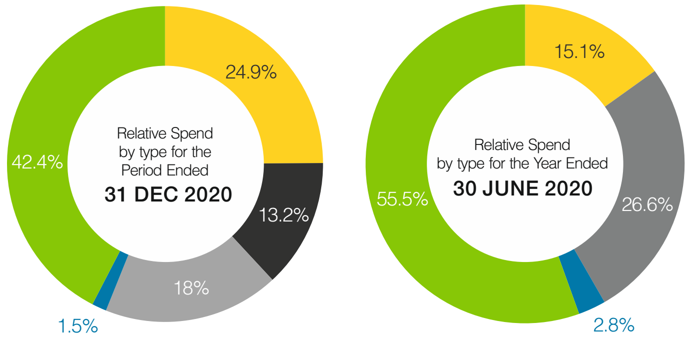


The table below sets out the details of total group general and administration expenses and capex:

(In GBP)	6 months ended 31 December 2020	Year ended 30 June 2020
G&A expenses	2,127,216	3,315,634
Property, plant and equipment additions	91,022	237,543
Exploration & evaluation additions	3,091,139	5,048,523
	5,309,377	8,601,700

Relative Spend

Cash remuneration represented 24.9% of the total exploration activities expenses, general and admin, Capex and exploration and evaluation spend during the year (30 June 2020: 15.1%).



CASH REMUNERATION | EXPLORATION ACTIVITIES EXPENSES | G&A EXPENSES | PROPERTY, PLANT AND EQUIPMENT ADDITIONS | EXPLORATION & EVALUATION ADDITIONS

Remuneration policy in 2021and 2022

Following consideration of the remuneration policy review report produced by h2glenfern Remuneration Advisory, the Company is making a number of changes to remuneration for 2021 and 2022 within the Policy approved in November 2020 which are set out below.

Executive Director and Management

The fixed remuneration of the Executive Director Paul Cronin will remain at £209,500 p.a. until 30 June 2021. The Remuneration Committee anticipates changing this salary level effective 1 July 2021 to £259,500 p.a.

Short Term Incentive Plan (STIP) and 2021 KPIs

The Company has implemented a structured annual, cash based short term incentive plan with effect from 1 January 2021 for the Executive Director, Executive Management, Senior Managers and other eligible staff within the Group.

In recognition of the Executive Director's existing 750,000 unvested performance rights and outstanding cash bonus targets previously agreed, as disclosed earlier in this report, the performance and vesting conditions of which are expected to be achieved during 2021 if the company achieves its stated objectives, Mr. Cronin's maximum potential award under the STIP will be 50% of base salary in 2021, increasing to 100% of base salary in subsequent years. The reduced maximum potential STIP award to Mr. Cronin in 2021 is also consistent with the Company's stated remuneration policy that additional bonus arrangements were not anticipated to be put in place for the Executive Director before 1 July 2021.

Under the STIP, corporate and personal objectives (KPIs) will be set each year and actual performance measured against those KPIs. Each KPI has been given a weighting and the specific performance criteria further split into Low, Expected & High targets, with differing levels of bonus being payable depending on the outcome.

The targets are designed to ensure they are difficult to achieve, and as such STIP should not be viewed as an extension of base salary and aligned to key value adding milestones. The target areas and their weightings within the bonus are:

Target Area	Weighting
Global Resource Growth	15.0%
Feasibility Study NPV	17.5%
Exploitation Permit	15.0%
OH&S	12.5%
Construction Start	10.0%
Project Finance	15.0%
Staff Satisfaction	10.0%
Diversity	5.0%

Further details of the target thresholds are commercially sensitive. Further detail and information on performance in each area will be disclosed in our 2021 remuneration report.

REMUNERATION COMMITTEE REPORT
PART 3 – REMUNERATION REPORT (AUDITED)
- CONTINUED

The potential percentage of base salary achievable as a bonus under the STIP for each staff grade and the split of corporate versus personal objectives as is as follows:

Level	Percentage of Base salary achievable 2021	Percentage of Base salary achieveable 2022 onwards	Corporate Objectives	Personal Ojectives
CEO	50%	100%	100%	-
Executive Management	70%*	70%	70%	30%

* Percentage may differ for certain individuals as part of transition arrangement taking into consideration existing performance objectives agreed prior to the implementation of the structured annual STIP.

The actual amount of the 2021 STIP bonus earned will be determined in January 2022 and 50% of that amount paid during that month with the remaining 50% being paid in January 2023 to serve as a retention mechanism. STIP bonuses earned in respect of the year ending 31 December 2022 onwards are expected to be paid without any deferral.

Long Term Incentive Plan (LTIP)

The Company intends to implement a structured equity based long term incentive plan with effect from 1 January 2022 for the Executive Director, Executive Management, Senior Managers and Managers of the Group. The first grant of performance rights under the LTIP will occur on 1 January 2022, subject to the provisions of the Company's share dealing policy, and grants will be annual thereafter.

It is anticipated that performance rights awards to the CEO will have a value of 100% of salary and performance rights awards to Executive Management will normally be at or around 70% of salary. It is anticipated that 50% of the award will be subject to a total shareholder return performance target and 50% subject to meeting corporate objectives.

The performance rights granted to the Executive Director under the LTIP will vest after three years, subject to the performance targets having been met.

Performance rights granted to Executive Management, Senior Managers and Managers under the LTIP will vest over three years in equal tranches on each anniversary of the grant, subject to the performance targets having been met.

All LTIP awards will be made under either the Company's ESOP 2019 or Option Plan 2019.

Chairperson and Non-Executive Directors

Effective 1 January 2022, the annual base fees payable to each non-Executive Director will increase from £30,000 p.a. to £50,000 p.a. to reflect the growing size, complexity and risks associated with the Group. The role of Chairperson of the Board will attract an additional fee of £50,000 p.a. Directors serving as the chairperson of a board committee will receive an additional fee of £5,000 for each committee that they chair.

Additionally, Ms. Karic has voluntarily chosen to waive all future emoluments from 1 March 2021 that would otherwise be paid to her by the Company until such time as the Company has received the Rupice exploitation permit. Ms. Karic has requested that the Company instead donates the equivalent amount to the Adriatic Foundation that was established during the Period as noted in the ESG Committee Report.

Peter Bilbe
Chairman of Remuneration Committee


MUSTANG

DIALOGUE WITH SHAREHOLDERS

a) All Investors

The Board is committed to providing shareholders with clear and timely information on Adriatic's activities, strategy and financial position. General communication with shareholders is coordinated by the Chairman and Chief Executive Officer together with the Investor Relations Manager.

The Company publishes on its website a range of information which helps current and potential shareholders to make an assessment of the Group's position and prospects:

- Investor presentations
- Technical reports on the project
- Resources estimates
- Annual and Interim Financial Statements
- Quarterly Activities Reports
- Business Strategy
- Governance material including the Corporate Governance Manual and Anti-Bribery policy
- All regulatory and other announcements relating to equity issues, Board changes, etc.
- Shareholder information (AGM etc.)
- Contact details for the Company

The Company's AGM will be held in London following the publication of its annual results and all shareholders are (subject to any COVID-19 related restrictions) invited to attend.

b) Institutional Investors

The Board maintains a regular dialogue with the Company's major institutional investors, providing them with such information on the Company's progress as commercial confidentiality, market abuse rules and other legal requirements permit. The Company typically holds meetings with institutional investors and other large shareholders following the release of interim and financial results.

c) Private Investors

The Company acknowledges that the majority of its private investors hold their shares via nominee shareholders and may not be able to fully exploit their shareholder rights effectively. Accordingly, the Company is committed to engaging with all shareholders and not just institutional shareholders.

The Company has an Investor Relations Manager based at the registered office in Cheltenham, who deals with shareholder enquiries and works in conjunction with the Company's PR advisers to facilitate engagement with its private investors.

d) Board review

The Board is kept informed of the views and concerns of major shareholders by briefings from the CEO and the Chairman and the Company's Brokers. Analyses of the share register commissioned from external consultants are also periodically circulated to the Board, together with significant investment reports from analysts.

DIRECTORS' REPORT

Introduction

In accordance with Section 415 of the Companies Act 2006, the Directors of Adriatic Metals PLC present their report to shareholders for the six month financial period ended 31 December 2020. The Directors' Report comprises the Directors' Report section of this report, together with the sections of the Annual Report incorporated by reference. As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in other sections of the Annual Report, as indicated below.

Directors

The names of the Directors who held office during the period and to the date of this report were:

Michael Rawlinson*
(Chairman from 3 August 2020)

Peter Bilbe*
(Non-Executive Director. Chairman until 3 August 2020)

Paul Cronin
(Managing Director and CEO)

Julian Barnes*
(Non-Executive Director)

Sandra Bates*
(Non-Executive Director)

Sanela Karic*
(Non-Executive Director) (from 3 August 2020)

John Richards
(Non-Executive Director) (resigned 8 July 2020)

* Determined by the board to be independent in accordance with the UK Corporate Governance Code

The company secretaries are Geoff Eyre and Gabriel Chiappini (joint).

Results and dividends

The Group results for the six months ended 31 December 2020 are set out on in the Financial Review on page 33 of the Strategic Report.

The Company's aim is to generate long term value for its stakeholders and design a shareholder distribution policy that reflects the growth prospects and profitability of the Company while maintaining appropriate levels of operational liquidity in due course. However, due to the early stage nature of the Company and the Vares Silver Project, no interim dividend was paid for the year ended 30 June 2020 and no final dividend is recommended for the 6 months ended 31 December 2020.

Share capital

The Company was granted authority at the 2020 AGM to allot shares in the capital of the Company up to a maximum nominal amount of £673,830, (equivalent to 50,455,260 shares) in accordance with Section 551 of the Companies Act 2006. Details of the Company's share capital are set out in note 15b to the Consolidated Financial Statements, including details on the movements in the Company's issued share capital during the Period.

The Company's issued ordinary share capital ranks pari passu in all respects and carries the right to receive all dividends and distributions declared, made or paid on or in respect of the ordinary shares. There are currently no redeemable non-voting preference shares or subscriber shares of the Company in issue.

Directors' and Officers' Insurance

The Company has arranged appropriate Directors' and Officers' insurance to indemnify the Directors and Officers against liability in respect of proceedings brought about by third parties. Such provisions remain in place at the date of this report.

Auditors

BDO LLP (Chartered Accountants) have been auditors of Adriatic Metals PLC since 2020 and will be proposed for re-appointment at the 2021 Annual General Meeting.

DIRECTORS' REPORT - CONTINUED

Directors' interests

Information on share ownership, options and performance rights held by Directors can be found in this report and in the Remuneration Committee Report.

Substantial shareholdings

The Company's issued share capital as of 31 December 2020 was 207,576,675 ordinary shares and at 30 March 2021 was 209,208,869 ordinary share with each share carrying the right to one vote. No shares are held in treasury.

At 31 December 2020, the Company had been notified, pursuant to the Financial Conduct Authority's Disclosure Guidance and Transparency Rule (DTR 5), or was otherwise aware of the following substantial interests (3% or more) in the Company's issued share capital.

Shareholder	Number of ordinary shares	Percentage of issued share capital
Sandfire Resources Limited	33,372,354	16.08
Paul D Cronin	17,601,132	8.48
Milos Bosnjakovic	14,300,000	6.89
Datt Capital	8,990,101	4.33
Eric De Mori	8,745,808	4.21
	83,009,395	39.99

As at 24 March 2021, being the latest practicable date before the approval of the Annual Report and Accounts, the Company had not been notified, pursuant to DTR 5 that the above positions had changed.

Changes in interests that have been notified to the Company pursuant to DTR 5 since 24 March 2021 can be found in the Regulatory News section of the Investors page of the Company's corporate website: https://www.adriaticmetals.com/investors/lse-announcements/.

Additional disclosures

For the purposes of LR 9.8.4C R, the information required to be disclosed by LR 9.8.4 R can be found in the following parts of this Annual Report:

Section	Matter	Location
(1)	Interest Capitalised	Not applicable
(2)	Publication of unaudited financial information	Not applicable
(4)	Details of long-term incentive scheme	Remuneration Committee Report page 61
(5)	Waiver of emoluments by a Director	Not applicable
(6)	Waiver of future emoluments by a Director	Remuneration Committee Report page 61
(7)	Non pre-emptive issues of equity for cash	Not applicable
(8)	As item (7) in relation to major subsidiary undertakings	Not applicable
(9)	Parent participation in a placing by a listed subsidiary	Not applicable
(10)(a)	Contract of significance in which a Director is interested	Not applicable
(10)(b)	Contract of significance with controlling shareholder	Not applicable
(11)	Provision of services by a controlling shareholder	Not applicable
(12)	Shareholder waivers of dividends	Not applicable
(13)	Shareholder waivers of future dividends	Not applicable
(14)	Agreement with controlling shareholder	Strategic Report page 20 - Collaboration and Strategic Partnership Deed Collaboration with Sandfire

Supplier payment policy

The Company's current policy concerning the payment of trade creditors is to follow the Confederation of British Industry's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

Branches

Adriatic Metals PLC does not have any branches of the Company outside of the United Kingdom as defined in s1046(3) of the Companies Act 2006.

Financial risk management and financial instruments

Information regarding the financial risk management and internal control processes and policies and exposure to the risks associated with financial instruments, can be found in note 14 in the Consolidated Financial Statements, the Corporate Governance, Risk Management and Internal Control sections on pages 9 to 14.

Greenhouse Gas Emissions

The Group have assessed their energy fuel consumption and have determined that energy consumption is above the 40 MWh threshold set by the SECR for reporting for the first time in the period, and as such the group reports its greenhouse gas on an annual basis in kg of carbon dioxide equivalent resulting from:

- the combustion of fuel (direct Scope 1 emissions)
- and that resulting from the purchase of electricity (indirect Scope 2 emissions).

The kg Emissions for the twelve months ending 31st December 2020 are as follows:

Emissions - kg CO2('e)	UK	Non UK	Total
Scope 1	-	45,025	45,025
Scope 2	2,028	50,677	52,705
Total	**2,028**	**95,702**	**97,730**
Per headcount (average 12m)			1,278
Average Headcount			77

Energy consumption in kWh for the twelve months ending 31st December 2020 are as follows:

Energy Consumption - kWh	UK	Non UK	Total
Energy	8,700	266,020	274,720

Methodology

Our greenhouse gas emissions have been calculated on an average headcount employee ratio.

This intensity metric is the best measure available to the Group given the geographical diversity of the operations and with the Group not yet in production phase with its projects.

This is the first year the Group have calculated our Scope 1 and Scope 2 GHG emissions and worked alongside SCS to assist with our carbon emissions reporting. This supports greater transparency and accuracy of data.

Emissions have derived from accurate consumption information on utility bills and fuel expenditure.

GHG emissions have been calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), using the location based method on the Scope 2 calculation method together with the latest emission factors from recognised public sources in the various jurisdictions the group operates.

In addition, the Groups carbon emissions disclosure has been undertaken in accordance with the Companies Act 2006.

Political donations

Neither Adriatic Metals PLC nor its subsidiaries have made any political donations during the period.

Powers of Directors

Subject to the Company's Articles of Association, UK legislation, ASX Rules and to any directions given by special resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company. The Articles of Association contain specific provisions concerning the Company's power to borrow money and also provide the power to make purchases of any of its own shares.

The Directors have the authority to allot shares or grant rights to subscribe for or to convert any security into shares in the Company. Further details of the proposed authorities are set out in the Notice of the AGM.

Going concern

The Group incurred a loss in the period of £5,694,503 (30 June 2020 - £6,238,324). However, the Group also had a net asset position at the balance sheet date of £48,508,513 (30 June 2020 - £20,895,753).

The Company and Group continue to meet their working capital requirements and with the support of investors and completed a £6.2 million equity private placement with the European Bank for Reconstruction and issue of US$20 million in convertible debentures to Queens Road Capital during Q4 2020. The results from the October 2020 Vares Silver Project Preliminary Feasibility Study, indicating a project NPV_8 of US$1,040 million and IRR of 113%, further underlining the Group's future potential as a producing mine operator generating healthy cash flows.

The Group's operations have been largely unaffected by COVID-19 with exploration and development work continuing with only minor disruption. The Vares Silver Project's economics, the resource base of which includes a substantial element attributable to precious metals, remain attractive notwithstanding the impact that COVID-19 has had on commodity prices and demand.

Cash flow forecasts prepared inclusive of discretionary expenditure, based on planned levels of future activity including commencement of construction of the Vares Silver Project, indicate that the Group will need to raise additional finance within the next 12 months. However, the Directors' believe that the Group can secure the additional funding necessary to continue in operational existence for the next 12 months at planned activity level from the date of this report and would defer the acceleration in cash burn rate that would arise on the commencement of construction until adequate funding is in place to do so.

Cash flow forecasts prepared based on current committed expenditure and non-discretionary spend only indicate that the Company has sufficient cash resources to continue in operation for a period in excess of 12 months from the date of signing the Consolidated and Parent Company Financial Statements. The Directors therefore believe there is not a material uncertainty regarding going concern and that it is appropriate to prepare the financial statements on a going concern basis.

Post balance sheet events

Please refer to note 25 in the Consolidated Financial Statements for a detailed report on major events that occurred subsequent to 31 December 2020.

Likely future developments

In the near term, the Company expects to complete the feasibility study, secure the funding and commence construction of the Vares Silver Project.

Annual General Meeting (AGM)

The date and location of the 2021 AGM will be announced in due course. At the AGM, shareholders will have the opportunity to put questions to the Board, including the Chairs of the Board Committees.

Full details of the AGM, including explanatory notes, will be contained in the Notice of the AGM, which will be distributed at least 28 days before the meeting. The Notice will set out the resolutions to be proposed at the AGM and an explanation of each resolution. All documents relating to the AGM will be available on the Company's website at www.adriaticmetals.com.

Corporate Governance Statement

The Disclosure Guidance and Transparency Rules (DTR 7.2) require certain information to be included in a Corporate Governance Statement set out in a Company's Directors' Report. In common with many companies, Adriatic Metals PLC has an existing practice of issuing, within its Annual Report, a Corporate Governance Report that is separate from its Directors' Report.

Electronic communications

A copy of the 2020 Annual Report, other corporate publications, reports and announcements are available on the Company's website at the following link: www.adriaticmetals.com. Shareholders may elect to receive

notification by email of the availability of the Annual Report on the Company's website instead of receiving paper copies.

Share rights

Without prejudice to any rights attached to any existing shares, the Company may issue shares with rights or restrictions as determined by either the Company by ordinary resolution or, if the Company passes a resolution, the Directors.

Voting rights

There are no other restrictions on voting rights or transfers of shares in the Articles other than those described in these paragraphs. Details of deadlines for exercising voting rights and proxy appointment will be set out in the Notice of the 2021 AGM.

At a general meeting, subject to any special rights or restrictions attached to any class of shares on a poll, every member present in person or by proxy has one vote for every share that he or she holds.

A proxy is not entitled to vote where the member appointing the proxy would not have been entitled to vote on the resolution had he or she been present in person. Unless the Directors decide otherwise, no member shall be entitled to vote either personally or by proxy or to exercise any other right in relation to general meetings if any sum due from him or her to the Company in respect of that share remains unpaid.

Additional information relating to holders of shares in the Company in the form of CHESS Depositary Instruments (CDIs) can be found in the ASX Additional Information section of the Annual Report.

Transfer of shares

The Company's Articles provide that transfers of certificated shares must be effected in writing, and duly signed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect of those shares. Transfers of uncertificated shares may be effected by means of CREST unless the CREST Regulations provide otherwise.

The Directors may refuse to register an allotment or transfer of shares in favour of more than four persons jointly.

Statement of disclosure to the auditor

Each of the Directors who were members of the Board at the date of the approval of this report confirms that:

- So far as he or she is aware, there is no relevant audit information of which the Company's auditors are unaware.
- He or she has taken all the reasonable steps that he or she ought to have taken as a Director to make him or herself aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

The confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

The Adriatic Metals PLC Directors' Report has been prepared in accordance with applicable UK company law and was approved by the Board on 30 March 2021.

By order of the Board

Geoff Eyre
Chief Financial Officer and Joint Company Secretary

RESPONSIBLE FOR KEEPING ADEQUATE ACCOUNTING RECORDS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group and Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for Standard List companies.

In preparing these Financial Statements, the Directors are required to:

- prepare a director's report, a strategic report and director's remuneration report which comply with the requirements of the Companies Act 2006
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union applied in accordance with the Companies Act 2006, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Website publication

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial Statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

DIRECTORS' RESPONSIBILITIES PURSUANT TO DTR4

The Directors confirm to the best of their knowledge:

- The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union applied in accordance with the provisions in the Companies Act 2006 and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and the parent Company, together with a description of the principal risks and uncertainties that they face.

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADRIATIC METALS PLC

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation

We have audited the financial statements of Adriatic Metals PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the 6 month period ended 31 December 2020 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of changes in equity, the consolidated and parent company statements of cash flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and as regards the Parent Company financial statements, as applied in accordance with the provisions 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 Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 28 May 2020 to audit the financial statements for the year ending 30 June 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments covers the periods ending 30 June 2020 and 31 December 2020. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The Company has not generated revenues from operations and therefore its funding position is reliant upon raising capital from either equity raises, debt financing or the sale of assets as described in note 2c.

Given the reliance on continual funding and the significant judgements in making the assessment as to whether it is appropriate to prepare the financial statements on a going concern basis we consider this to be a key audit matter.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included:

- We agreed the opening cash position used in the cash flow forecast to the audited position at 31 December 2020.
- We performed an accuracy check on the mechanics of the cash flow forecast model prepared by management and the directors.
- We assessed management's and the Board's financial forecasts prepared for a period of at least 12 months from the date of these financial statements. This included consideration of the reasonableness of key underlying assumptions by reference to current expenditure, commitments on the exploration assets and any potential impact of COVID -19 on the financial position of the Parent Company and Group over the going concern review period.
- We corroborated management's assessment of future committed expenditure on the exploration assets to the underlying licences and key contracts and considered whether it is reasonable that the Group has control over the timing of these cash flows over the going concern review period.
- We obtained an understanding of management and the Board's options for future fundraising that would be required to meet the Group's discretionary exploration spend and assessed reasonableness of these options based on past success.
- We evaluated the adequacy of the disclosures made in the financial statements in respect of going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage

99% (2019: 100%) of Group total assets 90% (2019: 100%) of Group profit before tax

Key audit matters	Dec 2020	June 2020
Carrying value and Impairment of exploration and evaluation assets, and license compliance	Yes	Yes
Going concern	Yes	Yes
Tethyan Bridging loan	No	Yes
Acquisition of the Tethyan Group	Yes	No
Tethyan Bridging loan no longer considered to be a key audit matter because the convertible loan was amended upon acquisition of the Tethyan Group and this has been considered as part of the overall acquisition accounting for the Tethyan Group.		

Materiality

Group financial statements as a whole
£900,000 (June 2020: £330,000) based on 1.5% (June 2020: 1.5%) of total assets

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

In approaching the audit, we considered how the group is organised and managed.

We assessed there to be three significant components being the Parent Company, Adriatic Metals PLC, Eastern Mining d.o.o., which is the holder of the mining licences pertaining to the Veovaca and Rupice assets in Bosnia and Ras Metals d.o.o., an entity which owns two exploration licenses over the Kizevak and Sastavci silver-zinc-lead mines in the Raska district of South-western Serbia. The remaining non-significant components were subject to analytical review procedures.

The Parent Company and Ras Metals d.o.o. were subject to a full scope audit by the group auditor. A full scope audit for group reporting purposes was performed by a BDO network firm in Bosnia & Herzegovina on Eastern Mining d.o.o.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

A planning meeting was held with the component auditor remotely and detailed group reporting instructions for the testing of the significant areas were sent to them. We also reviewed the audit files remotely and discussed the findings with the component audit partner, the audit team and component management. The group audit team performed specific procedures on all significant risk areas.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Conclusions relating to going concern section, we have determined the matters described below to be the key audit matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADRIATIC METALS PLC

Key audit matter	How the scope of our audit addressed the key audit matter
1. Carrying value and Impairment of exploration and evaluation assets, and license compliance The Group's exploration and evaluation assets ('E&E assets') per Note 9 of the financial statements represent the most significant asset on the consolidated statement of financial position. As at 31 December 2020 £36,479,724 (30 June 2020: £9,045,169) of costs had been capitalised in relation to exploration activity. Management and the Board are required to assess whether there are any potential impairment triggers which would indicate that the carrying value of the asset at 31 December 2020 may not be recoverable. There are estimates and judgements applied in the identification of potential impairment triggers and within any models prepared to support the carrying value of the assets. Additionally, adhering to the specified terms of the Group's exploration licences in Bosnia and Serbia and keeping them in good standing is paramount to the continuance of further exploration work. Should specified terms not be adhered to, in the worst instance, the rights to further develop the assets could be withdrawn, which consequently, would impact carrying values. Given the materiality of the E&E assets in the context of the Group's statement of financial position and the significant judgement involved in making the assessment of whether any indicators of impairment exist we consider this to be a key audit matter.	Our specific audit testing in regard to this included: Reviewing management's and the Board's assessment of potential indicators of impairment of the E&E assets against the requirements if IFRS 6 in order to assess if any exist. Verifying the licence status, to confirm legal title and terms of use. Reviewing exploration activity to assess whether there was any evidence from exploration results to date which would indicate a potential impairment. Obtaining an understanding of management's expectation of commercial viability, inspecting any supporting technical documentation and discussing results and operations with management. Specifically, we reviewed both the competent persons reports compiled on the Rupice and Veovaca projects. Holding discussions with the Group's independent expert to understand and challenge the key estimates and judgements that support the scoping study and underpin management's assessment of commercial viability, as well as assessing their competence, objectivity and independence. Inspecting approved budget forecasts and minutes of board meetings to confirm whether or not the Group intended to continue to explore the project areas. Reviewing and assessing the adequacy of the disclosures in the financial statements to check that they have been prepared in accordance with the requirements of the accounting standards. **Key observation:** **Based on the procedures performed, we found the judgement and estimates made by management in their impairment assessment to be reasonable.**

Key audit matter	How the scope of our audit addressed the key audit matter
2. Acquisition of the Tethyan Group The Group acquired Tethyan Resources during the period as part of an asset acquisition, as the underlining transaction does not meet the definition of a business combination under applicable accounting standards. See note 10 for management's assessment. As part of the acquisition of Tethyan Resources, Adriatic Metals PLC (ADT) issued share options and warrants to certain individuals in exchange for existing Tethyan share options and warrants with the same value. As part of the acquisition ADT has acquired a 10% share in an underlying subsidiary called Ras Metals. ADT has an option to take control which can be exercised within its own discretion. Management have concluded that ADT have control over this entity as they have a substantive right under the criteria of applicable accounting standards. This leads to complex accounting involving the acquisition value, judgement regarding the consideration paid and assigning values between the assets acquired and the consolidation of the Tethyan group.	Our specific audit testing in this regard included: We considered the attributes of the Tethyan group against the criteria of the accounting standards to corroborate that the acquisition does not meet the definition of a business. We reviewed the acquisition legal documents to support the key terms of the transaction to identify the whether it was correctly taken into account by management. We reviewed management's assessment of the treatment of the acquisition during the period in both the company's accounts as well as on the Group consolidation in order to understand the accounting treatment and judgements regarding consideration paid and acquisition value assigned to the various Tethyan assets acquired. We reviewed management's assessment which considers whether ADT have control over Ras Metals in line with the criteria set out in the applicable accounting standards. In doing so, we reviewed the terms of the option that ADT hold in Ras Metals as well as the agreement used to derive the value of the consideration required to take up the option. We also reviewed management's calculation to account for the allocation of the consideration between assets, and recalculated the consideration paid based on the share price of ADT. We reviewed management's assessment and calculations in relation to the treatment of the share based payments transferred from Tethyan Resources to ADT. We reviewed the adequacy of the disclosure of the acquisition in the financial statements against the requirements of the accounting standards. **Key observation:** **Based on the procedures performed, we found the judgements made by management to be reasonable.**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADRIATIC METALS PLC

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	Dec 2020 £	June 2020 £	Dec 2020 £	June 2020 £
Materiality	900,000	330,000	310,000	210,000
Basis for determining materiality	1.5% of Total assets		35% of group materiality	65% of group materiality
Rationale for the benchmark applied	The materiality has been based on total assets as the Group is in the exploration and development phase of its operations and is not revenue generating or profit making. We consider Total assets to be one of the principal considerations for users of the Financial Statements.		Capped 35% (2019: 65%) of Group materiality given the assessment of the components aggregation risk.	
Performance materiality	580,000	210,000	200,000	130,000
Basis for determining performance materiality	65% of materiality. In reaching our conclusion on the level of performance materiality to be applied we considered a number of factors including the expected total value of known and likely misstatements (based on past experience), our knowledge of the group's internal controls and management's attitude towards proposed adjustments.			

Specific materiality

We also determined that for expenses for full scope components, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items based on 10% of loss before tax for full scope components. We further applied a performance materiality level of 65% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Component materiality

We set materiality for each component of the Group based on a percentage of between 35% and 40% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £310,000 to £360,000. In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £18,000 (30 June 2020: 6,600). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the 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. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. • In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	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 Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements and the part of the Directors' remuneration report to be audited 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADRIATIC METALS PLC

Responsibilities of Directors

As explained more fully in the Directors statement of responsibilities, the Directors are responsible for the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Holding discussions with management and the audit committee to understand the laws and regulations relevant to the Group and its components. These included elements of the financial reporting framework, tax legislation, mining laws, LSE listing rules and ASX listing rules, QCA corporate governance code and environmental regulations;
- Holding discussions with management and the audit committee to consider any known or suspected instances of non-compliance with laws and regulations or fraud;
- Testing appropriateness of journal entries made throughout the period which met a specific risk based criteria;
- Assessing the judgements made by management when making key accounting estimates and judgements, and challenging management on the appropriateness of these judgements, specifically around key audit matters as discussed above;
- Reviewing minutes from board meetings of those charges with governance and RNS announcements to identify any instances of non-compliance with laws and regulations;
- Performing a detailed review of the Group's period-end adjusting entries and investigating any that appear unusual as to nature or amount to supporting documentation; and
- Performing detailed testing on account balances which were considered to be at greater risk of susceptibility to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matt Crane (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

United Kingdom
30 March 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

(In GBP)	Note	31 December 2020	(Restated) 30 June 2020
Assets			
Current assets			
Cash and cash equivalents		29,580,538	9,942,729
Other receivables and prepayments	5	654,514	451,546
Financial asset at fair value through profit and loss	6	-	1,241,514
Total current assets		**30,235,052**	**11,635,789**
Non-current assets			
Property, plant and equipment	8	969,464	910,920
Right of use asset	12	236,349	251,898
Exploration and evaluation assets	9, 10	36,479,724	9,045,169
Total non-current assets		**37,685,537**	**10,207,987**
Total assets		**67,920,589**	**21,843,776**
Equity and liabilities			
Current liabilities			
Accounts payable and accrued liabilities	11	1,900,437	682,402
Lease liability	12	35,609	10,530
Option Liability	10	2,515,399	-
Borrowings	7	105,515	-
Total current liabilities		**4,556,960**	**692,932**
Non-current liabilities			
Lease liability	12	219,731	255,091
Borrowings	7	11,590,172	-
Derivative Liability	7	3,045,213	-
Total non-current liabilities		**14,855,116**	**255,091**
Total liabilities		**19,412,076**	**948,023**
Capital and reserves attributable to shareholders of the parent			
Share capital	15	2,772,186	2,401,777
Share premium	15	51,471,748	23,992,967
Share-based payment reserve	15	5,756,069	4,426,185
Warrents reserve	15	2,797,086	-
Other equity	10	(2,515,399)	-
Foreign currency translation reserve		225,580	219,805
Retained deficit		(13,995,045)	(10,144,981)
		46,512,225	**20,895,753**
Non-controlling interest	10	1,996,288	-
Total shareholders' equity		48,508,513	20,895,753
Total equity and liabilities		**67,920,589**	**21,843,776**

See note 24 for details of the restatement of the prior year comparatives.

The accompanying notes on pages 82-110 are an integral part of these Consolidated Financial Statements.

The Consolidated Financial Statements of Adriatic Metals PLC, registered number 10599833, were approved and authorised for issue by the Board of Directors on 30 March 2021 and were signed on its behalf by:

Paul Cronin
Managing Director & Chief Executive Officer

Geoff Eyre
Chief Financial Officer & Joint Company Secretary

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

(In GBP)		Note	Six Months Ended 31 December 2020	Year Ended 30 June 2020
Exploration costs		17	(798,028)	-
General and administrative expenses		18	(2,115,707)	(3,315,634)
Share-based payment expense		15e	(2,267,239)	(3,443,359)
Other income		21	4,816	6,131
Operating loss			**(5,176,158)**	**(6,752,862)**
Finance income		19	-	203,131
Finance expense		19	(197,039)	(11,580)
Revaluation of fair value asset		6,7	(322,987)	322,987
Loss before tax			**(5,696,184)**	**(6,238,324)**
Tax charge		16	1,681	-
Loss for the period			**(5,694,503)**	**(6,238,324)**
Other comprehensive income that might be reclassified to profit or loss in subsequent periods:				
Exchange gain arising on translation of foreign operations			5,775	145,563
			5,775	145,563
Total comprehensive loss for the period			**(5,688,728)**	**(6,092,761)**
Total comprehensive loss attributable to:				
Owners of the parent			(5,169,617)	(6,092,761)
Non-controlling interest			(519,111)	-
			(5,688,728)	**(6,092,761)**
Net loss per share	Basic and diluted (pence)	15f	(2.99)	(3.69)

The accompanying notes on pages 82-110 are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

(In GBP)	Note	Number of Shares	Share Capital	(Restated) Share Premium	Share Based Payment Reserve	Warrants	Other Equity	Foreign Currency Translation Reserve	(Restated) Retained Earnings	Capital and Reserves Attributable to Owners of the Parent	Non-Controlling Interest	Total Equity
30 June 2019		150,782,587	2,013,701	11,084,777	1,714,826	-		74,242	(4,638,657)	10,248,889	-	10,248,889
Comprehensive income for the year:												
Loss for the year		–	–	–	–	-			(6,238,324)	(6,238,324)	-	(6,238,324)
Other comprehensive income		-	-	-	-	-		145,563	-	145,563	-	145,563
Total comprehensive loss		**–**	**–**	**–**	**–**	**-**		**145,563**	**(6,238,324)**	**(6,092,761)**	**-**	**(6,092,761)**
Contributions by and distributions to owners:												
Issue of share capital	15	25,083,400	334,989	13,015,388	-	-		-	–	13,350,377	-	13,350,377
Share issue costs	15	-	-	(797,655)	-	-		-	–	(797,655)	-	(797,655)
Exercise of options	15	3,975,000	53,087	690,457	(732,000)	-		-	732,000	743,544	-	743,544
Issue of options	15	–	-	-	3,443,359	-		-	-	3,443,359	-	3,443,359
30 June 2020		**179,840,987**	**2,401,777**	**23,992,967**	**4,426,185**	**-**		**219,805**	**(10,144,981)**	**20,895,753**		**20,895,753**
Comprehensive income for the period:												
Loss for the period		-	-			-			(5,175,392)	(5,175,392)	(519,111)	(5,694,503)
Other comprehensive income		–	–	–	–	-		5,775	-	5,775	-	5,775
Total comprehensive loss		**–**	**-**	**-**	**-**	**-**		**5,775**	**(5,175,392)**	**(5,169,617)**	**(519,111)**	**(5,688,728)**
Contributions by and distributions to owners:												
Issue of share capital	15	5,276,595	70,469	6,129,531	-	-	-	-	-	6,200,000		6,200,000
Settlement Placement	15	4,830,156	64,507	4,791,547	-	-	-	-	-	4,856,054		4,856,054
Share issue costs		-		(1,598,603)		-	-	-	151,402	(1,447,201)		(1,447,201)
Exercise of options	15	4,350,000	58,093	1,203,817	(1,173,926)	-	-	-	1,173,926	1,261,910		1,261,910
Issue of options	15	-	-	-	2,267,239	-	-	-	-	2,267,239		2,267,239
Acquisition of subsidiary	15	13,278,937	177,340	16,952,489	236,571	2,797,086	(2,515,399)	-	-	17,648,087	2,515,399	20,163,486
31 December 2020		**207,576,675**	**2,772,186**	**51,471,748**	**5,756,069**	**2,797,086**	**(2,515,399)**	**225,580**	**(13,995,045)**	**46,512,225**	**1,996,288**	**48,508,513**

See note 24 for details of the restatement of the prior year comparatives.

The accompanying notes on pages 82-110 are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

(In GBP)	Note	Six Months Ended 31 December 2020	Year Ended 30 June 2020
Cash flows from operating activities			
Loss for the period		(5,694,503)	(6,238,324)
Adjustments for:			
Loss on Disposal of Fixed Asset		1,106	-
Depreciation of property, plant and equipment	8	36,157	52,645
Amortisation of exploration & evaluation assets	9	11,469	23,317
Amortisation of right-of-use assets	12	15,549	13,714
Share-based payment expense	15	2,267,239	3,443,359
Finance income	19	-	(203,131)
Finance expense	19	197,039	11,580
Revaluation of fair value asset and liability	6,7	322,987	(322,987)
Changes in working capital items:			
Increase in other receivables and prepayments		(151,833)	(85,438)
Increase in accounts payable and accrued liabilities		687,582	498,074
Net cash used in operating activities		**(2,307,208)**	**(2,807,191)**
Cash flows from investing activities:			
Cash acquired on acquisition	10	311,964	-
Purchase of property, plant and equipment	8	(90,864)	(235,117)
Purchase of exploration & evaluation assets	9	(3,052,019)	(4,942,689)
Sale of Property, plant and equipment		1,970	-
Loans issued	6	(723,300)	(876,201)
Interest received		-	37,742
Net cash used in investing activities		**(3,552,249)**	**(6,016,265)**
Cash flows from financing activities			
Net proceeds from the issue of ordinary shares	15i	12,317,964	13,296,266
Gross proceeds from loans and borrowings	7	14,956,849	
Transaction costs arising from financing activities	15i	(1,447,201)	-
Interest paid on lease liabilities		(10,523)	(11,580)
Net cash flows from financing activities		**25,817,089**	**13,284,686**
Net increase in cash and cash equivalents		19,957,632	4,461,230
Exchange (losses) / gains on cash and cash equivalents		(319,823)	111,740
Cash and cash equivalents at beginning of the period		**9,942,729**	**5,369,759**
Cash and cash equivalents at end of the period		**29,580,538**	**9,942,729**

See note 21 for details of the restatement of the prior year comparatives in the Consolidated Statement of Cash Flows.
The accompanying notes on pages 82-110 are an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

The consolidated financial statements present the financial information of Adriatic Metals PLC and its subsidiaries detailed in Section 3 (collectively, the Group) for the period ended 31 December 2020. Adriatic Metals PLC (the Company or the parent) is a public company limited by shares and incorporated in England & Wales. The Registered office has changed during the year. The registered office is located at Ground Floor, Regent House, 65 Rodney Road, Cheltenham GL50 1HX, United Kingdom.

The Group's principal activity is precious and base metals exploration and development. The Group owns the world-class advanced Vares Silver Project in Bosnia & Herzegovina. The Vares Silver Project consists of two high-grade polymetallic deposits, located at Rupice and Veovaca. The Group expanded its exploration activities to Serbia during the period with the acquisition of the Tethyan Resource Corp to order to advance the former Kizevak and Sastavci polymetallic mines in the Raska District of southern Serbia.

Bosnia & Herzegovina and Serbia are well-positioned in central Europe and boast strong mining history, pro-mining environment, highly skilled workforce as well as extensive existing infrastructure and logistics.

The Vares Silver 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 indicate an NPV_8 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.

2. Basis of preparation

a. Statement of compliance

These consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union in accordance with the provisions of the Companies Act 2006. IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee, and there is an ongoing process of review and endorsement by the European Commission.

The Consolidated Financial Statements were authorised for issue by the Board of Directors on 30 March 2021.

b. Basis of measurement

These Consolidated Financial Statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

These Consolidated Financial Statements are presented in Great Britain Pounds ("GBP"). The functional currency of the Company is the Great Britain Pound.

c. Going Concern

The Group incurred a loss in the period of £5,694,503 (30 June 2020 - £6,238,324). However, the Group also had a net asset position at the balance sheet date of £46,512,225 (30 June 2020 - £20,895,753).

The Company and Group continue to meet their working capital requirements with the support of investors completed a £6.2 million equity private placement with the European Bank for Reconstruction and issue of US$20 million in convertible debentures to Queens Road Capital during Q4 2020. The results from the October 2020 Vares Silver Project Pre-Feasibility study indicated a project NPV_8 of US$1,040 million and IRR of 113% further underline the Group's future potential as producing mine generating health cash flows.

The Group's operations have been largely unaffected by COVID-19 with exploration and development work continuing with only minor disruption. The Vares Silver Project's economics, the resource based of which includes a substantial element attributable to precious metals, remain attractive notwithstanding the impact that COVID-19 has had on commodity prices and demand.

Cash flow forecasts prepared inclusive of discretionary expenditure, based on planned levels of future activity including commencement of construction of the Vares Silver Project, indicate that the Group will need to raise additional finance within the next 12 months. However, the Directors' believe that the Group can secure the additional funding necessary to continue in operational existence for the next 12 months at planned activity level from the date of this report and would defer the acceleration in cash burn rate that would arise on the commencement of construction until adequate funding is in place to do so.

Cash flow forecasts prepared based on current committed expenditure and non-discretionary spend only indicate that the Company has sufficient cash resources to continue in operation for a period in excess of 12 months from the date of signing the Consolidated and Parent Company Financial Statements. The Directors therefore believe there is not a material uncertainty regarding going concern that it is appropriate to prepare the financial statements on a going concern basis.

3. Significant accounting policies

The preparation of Consolidated Financial Statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies. Below are the significant accounting policies applied by management. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in note 4.

a. Basis of consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Basis of consolidation continued

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

The Consolidated Financial Statements comprise the Financial Statements of the Company and following subsidiaries at 31 December 2020:

Name of subsidiary	Country of incorporation	Shareholding on 31 Dec. 2020	Shareholding on 30 June 2020	Nature of business
Eastern Mining d.o.o.	Bosnia and Herzegovina	100%	100%	Mineral exploration & development
Tethyan Resource Corp	Canada	100%	0%	Holding company - financing mining exploration of subsidiary
Tethyan Resources Limited	England & Wales	100%	0%	Holding company - financing mining exploration of subsidiary
Tethyan Resources Jersey Ltd	Jersey	100%	0%	Holding company - financing mining exploration of subsidiary
Taor d.o.o.	Serbia	100%	0%	Mineral exploration and development
Tethyan Resources d.o.o.	Serbia	100%	0%	Mineral exploration and development
Global Mineral Resources d.o.o.	Serbia	100%	0%	Mineral exploration and development
Tethyan Resources Bulgaria EOOD	Bulgaria	100%	0%	Mineral exploration and development
Kosovo Resource Company	Kosovo	100%	0%	Mineral exploration and development
Ras Metals d.o.o.	Serbia	10%*	0%	Mineral exploration and development

* The Group holds 10% of the equity in Ras Metals d.o.o. and has an option to acquire remaining 90% it does not hold. The Group has substantive control of Ras Metals and has consolidated the net assets into the Group financial statements. The Group also owns 10% equity in EFPP d.o.o. with an option to acquire the remaining 90%, however the Group does not have substantive control over this entity and has not consolidated the net assets into the Group financial statements. See Section 4 for more details on critical accounting judgements.

The Group also owns 10% of the equity in EFPP d.o.o. with an option to acquire the remaining 90%. However, the Group does not have substantive control over this entity and has not consolidated the net assets into the Group financial statements. See Section 4 for more details on critical accounting judgements.

Entities in which the Group has a shareholding that are not included in consolidation are as follows:

Name of subsidiary	Country of incorporation	Shareholding on 31 Dec. 2020	Shareholding on 30 June 2020	Nature of business
EFPP d.o.o.	Serbia	10%*	0%	Mineral exploration and development

b. Standards, amendments and interpretations adopted

During the period, the following new standards and amendments have been implemented.

Standard	Detail	Effective date
IAS 1	IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative - Definition of Material)	1 January 2020
IFRS 3	Business Combinations (Amendment – Definition of Business)	1 January 2020
N/A	Conceptual Framework for Financial Reporting (Revised)	1 January 2020
IFRS 9, IFRS 7, IFRS 4 and IFRS 16	IBOR Reform and its Effects on Financial Reporting – Phase 1	1 January 2020
IFRS 16	Covid-19-Related Rent Concessions – Amendment to IFRS 16	1 June 2020

c. Standards, amendments and interpretations effective in future periods

At the date of authorisation of these Consolidated Financial Statements, the following new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Group.

Standard	Detail	Effective date
IFRS 17	Insurance contracts	1 January 2021
IAS 1	Amendment – regarding the classification of liabilities	1 January 2022
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
IFRS 1, IFRS 9, IFRS 16 and IAS 41)	Annual Improvements to IFRS Standards 2018-2020	1 January 2022
IFRS 3	References to Conceptual Framework	1 January 2022

Management anticipates that all the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. The group does not expect these Standard or Interpretation to have a material impact on the entity's financial statements in the period of initial application.

d. Foreign currency transactions and translations

The Group's consolidated financial statements are presented in GBP (£), which is considered to be the Company'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').

i) 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.

ii) 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.

e. Cash and cash equivalents

Cash and cash equivalents are comprised of cash held on deposit and other short-term, highly liquid investments with original maturities of three months or less. These deposits and investments are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

f. Other receivables

All receivables are held at amortised cost less any provision for impairment. A loss allowance for expected credit losses is made to reflect changes in credit risk since the initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

g. Exploration and evaluation assets

Pre-license costs

Pre-license 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 studies

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

Where the purchase of a business or group of assets provides the group exploration rights, these costs are capitalised in exploration and evaluation expenditure.

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 on licenses 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 license 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 and measured at cost less accumulated impairment.

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 and 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' and will be subsequently amortised in line with the useful economic life of the mine and rate of depletion of resources. Exploration and evaluation assets are not amortised during the exploration and evaluation phase and are considered to have an indefinite life until determine as part of a mine plan.

h. Property, plant and equipment

i) Land

Land is held at cost less accumulated impairment losses. Once JORC-compliant reserves are established and development is sanctioned, land is tested for impairment and transferred to 'Mines under construction' which is a sub-category of 'Mine properties' and will be subsequently depreciated in line with the useful economic life of the mine and rate of depletion of resources. Land is not depreciated during the exploration and evaluation phase and is considered to have an indefinite life until determine as part of a mine plan.

ii) Short lived property, plant and equipment

Short lived property, plant and equipment consists of buildings, plant and machinery, office furniture and equipment, transportation assets and computer equipment. Short lived property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of short lived property, plant and equipment consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

iii) Depreciation and amortisation

Land is not depreciated. All other short-lived property, plant and equipment depreciation is provided at rates calculated to expense the cost of property, plant and equipment, less their estimated residual value, using the straight-line method over their estimated useful life of the asset giving the following rates:

Land	Not depreciated
Buildings & Leasehold improvements	Shorter of 10% or lease term
Plant and equipment	15% - 33%
Assets under construction	Not depreciated

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if appropriate.

i. Leases

The Group applied IFRS 16 for the first time in the comparative period using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 July 2019), without restatement of comparative figures. There were no adjustments to prior periods as a result of the application of this standard because the Group did not have any leases in the prior year.

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.

i) Transition Method and Practical Expedients Utilised

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 July 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains, a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 July 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

ii) 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 which, are either expensed as incurred though the income statement or capitalised in exploration and evaluation assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

iii) 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 amortised on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The Company has a single right of use asset, relating to the lease of an office premised in the UK. Given the nature of the asset, the amortisation charge is included in general and administrative expenses.

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.

iv) Lease liabilities

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.

v) Revision of lease term

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

j. Rehabilitation provision

The Group recognises provisions for contractual, constructive or legal obligations, including those associated with the reclamation of mineral interests and property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for the rehabilitation is recognised at its present value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding provision is added to the carrying amount of the related asset and the cost is amortised as an expense over the economic life of the asset. Following the initial recognition of the rehabilitation provision, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, and amount or timing of the underlying cash flows needed to settle the obligation. Currently the Group has not done any significant mining and thus management have assessed that no rehabilitation provision is necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

k. Interest income

Interest income is recorded on an accrual basis using the effective interest method.

l. Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Except for trade and other receivables which do not contain a significant financing component, financial assets and financial liabilities are measured initially at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument. Trade receivables which do not contain a significant financing component are recognised at their transaction price. Financial assets and financial liabilities are subsequently measured as described below.

i) Financial assets

Financial assets are subsequently recognised at amortised cost under IFRS 9 if it meets both the hold to collect and contractual cash flow characteristics tests. A financial asset is measured at fair value through other comprehensive income if the financial 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.

If neither of the above classification are met the asset is classified as fair value through the profit and loss or unless management elect to do so provided the classification eliminates or significantly reduces a measurement or recognition inconsistency.

a) Cash and cash equivalents and trade and other receivables

Cash and cash equivalents and trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment, if any.

b) Fair value through profit or loss

Financial assets measured at fair value through profit or loss are subsequently measured at fair value with changes in those fair values recognised in the profit and loss statement.

Assets held at fair value through profit or loss comprise of the convertible loan asset.

ii) Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method, except for financial liabilities designated at fair value through profit or loss, that are carried subsequently at fair value with gains and losses recognised in the profit and loss statement.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The Group's financial liabilities initially measured at fair value and subsequently recognised at amortised cost include accounts payables and accrued liabilities, and the liability associated with the right of use asset (note 11).

iii) Convertible debt

The proceeds received on issue of the Group's convertible debt are allocated into their liability and derivative liability components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option and is recognised as a derivative liability.

m. Impairment of assets

i) Financial assets

A financial asset that is not carried at fair value through profit or loss is assessed at each reporting date to determine a loss allowance for expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition, the loss allowance is equal to the lifetime expected credit losses. If the credit risk has not increased significantly, the loss allowance is equal to the twelve month expected credit losses.

The expected credit losses are measured in a way that reflects the unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes; the time value of money and reasonable and supportable information that is available about past events, current conditions and forecasts of future economic conditions.

ii) Non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that the assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate largely independent cash inflows, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss statement.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. Where an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognised in the profit and loss statement.

n. Income taxes

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years.

Deferred income taxes are calculated based on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not recognised on the initial recognition of goodwill, on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction, and on temporary differences relating to investments in subsidiaries and jointly controlled entities where the reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred income tax assets and liabilities are measured, without discounting, at the tax rates that are expected to apply when the assets are recovered, and the liabilities settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

The Group has no deferred tax assets or liabilities.

o. Earnings/loss per share

Basic loss per share is calculated by dividing the loss attributable to the common shareholders of the Group by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is calculated by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options and warrants granted.

p. Share premium

Share premium represents the excess of proceeds received over the nominal value of new shares issued.

q. Share-based payments & Warrants payments

i) Share-based payment transactions

The Company grants share options and performance rights to Directors, Officers, Consultants and employees (“equity-settled transactions”). The company grants warrants to institutions issued as part of an equity raise as part of overall in connection with the acquisition of Tethyan. The Board of Directors determines the specific grant terms within the limits set by the Company’s share option plans.

ii) Equity-settled transactions

The costs of equity-settled transactions are measured by reference to the fair value at the grant date and are recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant persons become fully entitled to the award (the “vesting date”). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and the corresponding amount is represented in share option reserve. No expense is recognised for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Where equity-settled transactions are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss statement over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of the options that will eventually vest.

Where equity-settled transactions are entered into with non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the equity instruments issued. Otherwise, share-based payments to non-employees are measured at the fair value of the goods or services received.

Upon exercise of share options or warrants, the proceeds received are allocated to share capital, and premium if applicable together with any associated balance in share-based payments reserve are transferred to retained earnings. The dilutive effect of outstanding options is reflected as additional dilution in the computation of diluted earnings per share.

r. Non-controlling Interest

The Group has the choice, on a transaction by transaction basis, to initially recognise any non-controlling interest in the acquiree which is a present ownership interest and entitles its holders to a proportionate share of the entity’s net assets in the event of liquidation at either acquisition date fair value or, at the present ownership instruments’ proportionate share in the recognised amounts of the acquiree’s identifiable net assets. Other components of non-controlling interest such as outstanding share options are generally measured at fair value.

The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

s. Segmental reporting

The reportable segments identified make up all of the Group's activities. The reportable segments are an aggregation of the operating segments within the Group as prescribed by IFRS 8. The reportable segments are based on the Group's management structures and the consequent reporting to the Chief Operating Decision Maker, the Board of Directors. These reportable segments also correspond to geographical locations such that each reportable segment is in a separate geographic location. Income and expenses included in profit or loss for the period are allocated directly or indirectly to the reportable segments.

The group has reviewed its operating segments following the acquisition of the Tethyan Resource Corp and subsidiaries in October 2020 and as a result of the expansion in the group's range to operating activities and determined that there are now three distinct reporting segments as follows:

- Bosnia (principally the Vares Project)
- Serbia (principally the Raska Project)
- Corporate (which supports the activities of the other two segments)

The Vares and Raska projects operate in two separate distinct jurisdictions and are at different points in their respective project life cycles.

The reportable segments are based on the Group's management structures and the consequent reporting to the Chief Operating Decision Maker, the Board of Directors.

Non-current segment assets comprise the non-current assets used directly for segment operations, including intangible assets and property, plant and equipment. Current segment assets comprise the current assets used directly for segment operations, including other receivables and deferred costs. Inter-company balances comprise transactions between operating segments making up the reportable segments. These balances are eliminated to arrive at the figures in the Consolidated Financial Statements

4. Critical accounting estimates and judgements

The preparation of the Consolidated Financial Statements in accordance with IFRS requires management to make certain judgements, estimates, and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from these estimates. Information about the significant judgements, estimates, and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Estimates

a. Exploration and evaluation asset impairment testing

The Group reviews and tests the carrying value of exploration and evaluation assets when events or changes in circumstances suggest that the carrying amount may not be recoverable in terms of IFRS 6. Indicators of impairment the group assesses for are as follows:

a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.

b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.

c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.

d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs. The key estimates made includes discount rates, being the Group's weighted average cost of capital, future prices, E&E costs, production levels and foreign currency exchange rates.

b. Convertible loan valuation

The financial instrument was valued at fair value through the profit and loss account in the prior year. The Group has utilised the Black-Scholes Option Pricing Model to estimate the fair value of the conversion option associated with a loan granted to Tethyan Resource Corp. The use of the Black-Scholes option pricing model requires management to make various estimates and assumptions that impact the value assigned to the loan granted to Tethyan Resource Corp. including the forecast future volatility of the share price and the risk-free interest rate. This financial instrument was eliminated on consolidation on the acquisition of Tethyan Resource Corp in the current period for the Group. The conversion option was not enacted, the loan agreement was amended to remove this option and the conversion value was released to the profit and loss in the current period.

c. Convertible bond valuations

The Group issued USD 20 million 8.5% Convertible bonds through a deed of covenant dated 30 November 2020. The bonds are convertible into fully paid equity securities in the share capital of the issuer, subject to and in accordance with the Conditions and the Deed of Covenant. Management engaged experts to assist with the valuation of the bond holders call option imbedded within this agreement. The option is recognised as a derivative liability in the Group and company accounts and required a separate fair valuation. See note 6 for further details regarding these inputs.

d. Share-based payments

The Group utilises the Black-Scholes Option Pricing Model to estimate the fair value of share options and performance rights granted to Directors, Officers and employees. The use of the Black-Scholes Option Pricing Model requires management to make various estimates and assumptions that impact the value assigned to the share options and performance rights including the forecast future volatility of the share price, the risk-free interest rate, dividend yield, the expected life of the share options and performance rights and the expected number of share which will vest. See note 14 for further details regarding these inputs.

Judgements

a. Functional currency

The Group transacts in multiple currencies. The assessment of the functional currency of each entity within the consolidated Group involves the use of judgement in determining the primary economic environment each entity operates in. The Group first considers the currency that mainly influences sales prices for goods and services, and the currency that mainly influences labour, material and other costs of providing goods or services. In determining functional currency, the Group also considers the currency from which funds from financing activities are generated, and the currency in which receipts from operating activities are usually retained. When there is a change in functional currency, the Group exercises judgement in determining the date of change. This assessment is driven by the primary economic environment of each entity including products, labour, materials and professional services and the currency they are primarily transacted in.

Name of Equity	Country of Incorporation	Functional Currency
Adriatic Metals PLC	England & Wales	GBP
Eastern Mining d.o.o.	Bosnia and Herzegovina	BAM*
Tethyan Resource Corp	Canada	CAD
Tethyan Resources PLC	England & Wales	GBP
Tethyan Resources Jersey Ltd	Jersey	GBP
Taor d.o.o.	Serbia	RSD*
Tethyan Resources d.o.o.	Serbia	RSD*
Global Mineral Resources d.o.o.	Serbia	RSD*
Tethyan Resources Bulgaria EOOD	Bulgaria	EUR
Kosovo Resource Company	Kosovo	EUR
Ras Metals d.o.o.	Serbia	RSD*

* Bosnian Marks (BAM) and Republic of Serbia Dinars (RSD) currencies are pegged to the Euro.

b. Capitalisation of exploration costs

The group uses its judgement to determine whether costs meet the capitalisation requirements in terms of the standard and its accounting policy on exploration and evaluation assets to determine whether exploration and evaluation costs should be capitalised or expensed based on whether the activities performed are directly attributable to increasing the value of the project.

c. Option Agreement Treatment - Control of Ras Metals

As part of the Tethyan Resource Corp acquisition, the Group became the beneficiary of three mutually exclusive option agreements under which it could acquire, at its sole discretion, the entire share capital of Ras Metals d.o.o., EFPP d.o.o. and Deep Research d.o.o.

The Group assessed each option agreement to determine whether it provided the Company with control over each respective entity and if so from what point in time as follows:

i) Ras Metals d.o.o. (Ras)

The Group determined that Ras was controlled by the Group from 8 October 2020, being the date at which Tethyan Resource Corp (the option holder) was acquired by the Company, because the Group had the ability and intent to acquire the remaining equity interest in Ras. On 23 February 2021, the Company completed the acquisition of the entire issued share capital of Ras further details of which are provided in note 25.

The consideration paid in order to exercise right to purchase of the remaining equity contains both fixed and variable elements. As a result of the variable element of the consideration payable the Group did not have access to present returns in Ras at 31 December 2020 and has therefore recognised a non-controlling interest in this.

ii) EFPP d.o.o. (EFPP)

EFPP was determined to be outside the control of the Group because the option agreement holder, Tethyan Resource Corp, was unlikely to exercise its rights under the agreement. This position was further justified when on 22 February 2021, the Group disposed of its 10% equity stake in EFPP for a nominal amount.

iii) Deep Research d.o.o. (DR)

DR was determined to be outside of the control of the Group because although Tethyan Resource Corp (the option agreement holder) had the ability to control DR via exercise of the option it did not have the intent to do so at present until further exploration work has been completed to determine the economic value of DR to the Group relative to the consideration that would be payable on exercise of the option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Other receivables and prepayments

(In GBP)	31 December 2020	30 June 2020
Other receivables	8,729	17,853
Prepayments and deposits	138,088	95,202
Taxes receivable	507,698	338,491
Total	**654,514**	**451,546**

All receivables are due within one year.

The Group has three reporting segments and two operating locations which are Bosnia & Herzegovina and Serbia. Split of other receivables and prepayments as follows as at 31 December 2020:

	Bosnia	Serbia	Corporate	Total
Other receivables	829	7,900	-	8,729
Prepayments and deposits	29,475	38,196	70,416	138,088
Taxes receivable	300,426	109,200	98,072	507,698
Total	**330,730**	**155,296**	**168,488**	**654,514**

Split of other receivables and prepayments as follows as at 30 June 2020:

	Bosnia	Serbia	Corporate	Total
Other receivables	790	N/A	17,063	17,853
Prepayments and deposits	47,999	N/A	47,203	95,202
Taxes receivable	300,997	N/A	74,994	338,491
Total	**349,786**	**N/A**	**139,260**	**451,546**

6. Financial assets at fair value through profit and loss

a. Tethyan Resources Corp Loan

As part of the agreement to acquire 100% of TSX-V listed Tethyan Resource Corp. via a plan of arrangement in British Columbia, the Company provided a convertible loan facility to Tethyan during the prior year and had advanced €1.8 million under the facility to the date of acquisition on 8th October 2020. Effective the same date this loan was amended removing the convertible option from the loan and the conversion value was released to the profit and loss in the current period. As at 31 December 2020, this financial instrument was eliminated on consolidation for the Group.

(In GBP)	Tethyan Loan Receivable
At 30 June 2019	-
Additions	876,201
Interest	12,624
Foreign exchange gain	29,702
Revaluation of fair value asset through profit and loss	322,987
At 30 June 2020	1,241,514
Additions	723,300
Interest	7,129
Foreign exchange gain	32,091
Revaluation of fair value asset through profit and loss	(322,987)
Acquisition (loan eliminated on consolidation)	(1,681,047)
At 31 December 2020	**-**

The loan is revalued at its fair value at each period end using the following inputs to the Black-Scholes valuation model:

(In GBP)	31 December 2020	30 June 2020
Term	-	1 year
Share Price (CAD)	-	CAD 0.22
Exercise Price (CAD)	-	CAD 0.15
Volatility	-	140%
Risk Free rate	-	0.17%

7. Financial liabilities at fair value through profit and loss

b. QRC Convertible Loan

The Group issued USD 20 million 8.5% Convertible bonds through a deed of covenant dated 30 November 2020. The bonds are convertible into fully paid equity securities in the share capital of the issuer, subject to and in accordance with the Conditions and the Deed of Covenant. Key terms and conditions of the Bond agreement between the Company and Queens Road Capital (QRC) is provided below.

Voluntary conversion

The bonds shall be convertible into equity securities of the company at the option of the bondholder at any time from the issue date 1 December 2020 until 30 November 2024. The number of equity securities to be issued on exercise of a conversion price in effect on the relevant conversion date. The initial conversion price is AUD 2.7976 per ordinary share

Redemption and Purchase

a) Final redemption: Where the bonds are not converted, redeemed, purchased, or cancelled by the company prior to the final maturity date, the bonds shall be redeemed by the company at their principal amount

b) Redemption at the option of the issuer: Option to the issuer to redeem all the bonds outstanding, prior to the final maturity date, at their principal amount together with accrued but unpaid interest to such date if:

- At any time prior to maturity date, the volume weighted average price of the equity securities for 20 consecutive days has exceeded 125% of the Conversion Price;
- The issuer delivers an optional redemption notice that contains an optional redemption date which falls on or after the third anniversary of the issue date; or
- A project refinancing has occurred

c) Redemption at the option of bondholder in change of control event: the bondholder receives an option to require the issuer to redeem the bonds prior to the final maturity date. In the event of a change of control, the bonds shall be redeemed at:

- 130% of the principal amount, if the change of control event occurs on or prior to the second anniversary of the issuance date, together with accrued and unpaid interest till such date
- 115% of the principal amount, if the change of control event occurs after the second anniversary of issuance date, together with accrued and unpaid interest till such date

d) Redemption at the option of the bondholder in the event of project financing: In any event where the company secures a project financing before the final maturity date of the bonds, the bondholder can require the issuer to redeem the bonds at its principal amount together with the accrued but unpaid interest to such date

Accounting Consideration and Results

QRC's option to convert the bonds into equity and the associated potential issue of shares give rise to a variable amount of cash that would be received by the Company and therefore the bonds fail to meet the requirements to be classified as equity. The conversion feature of the bonds has therefore been accounted for as a derivative liability, with the value of the conversion feature dependent on foreign exchange rates and other factors as set out below.

Management engaged external experts to review the terms of the agreement and perform a valuation. It was concluded that the call option in the hands of the bondholder satisfied the conditions stipulated by IFRS 9 Financial Instrument – Recognition and Measurement for the recognition as a derivative liability in the Group and company accounts and required a separate fair valuation.

The redemption options in the hands of the bondholder were concluded to be falling outside of the exemptions of IFRS 9 and closely related to the debt host contract. Therefore, the redemption options need not be separated from the debt host contract and hence need not be valued separately. The Group has elected to account for both the imbedded option and loan liability at fair value in the profit and loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Valuation Model

The Black Scholes model was chosen as the most appropriate pricing model to value the company call options. The main assumptions and inputs used in the options pricing model were as follows:

- Dividend yield – assumed to be nil because the Company has not declared or paid any dividends in prior years on ordinary shares
- Strike price – The initial conversion price of AUD 2.7976 per ordinary share
- Expected term – Judgement applied to assign probability to the various redemption and put options in the contract. The Group will be seeking to raise finance to progress the Vares project. Expected term of redemption calculated as 1.15 years from the valuation date.
- Expected volatility – Weekly volatility over the 1.15 years (60 weeks) was calculated as 74.65% prevailing on ASX as of the valuation date.
- Risk-free rate – Risk free yield obtained from Australian Treasury bond issues converted into continuous compound yields.
- Value of underlying common stock price – The closing price of ordinary shares AUD 2.33 on the valuation date on the ASX

Using the assumptions set out above, Black Scholes value of call option in hands of Bondholder is £3,045,213.

Sensitivity Analysis

Inputs to the Black Scholes model are based on management judgements regarding probabilities of future events. The results are sensitive to changes in key assumptions, namely the expected term of the bonds and the volatility of the Company's share price.

Sensitivity of the loan value to reasonably possible changes in the assumptions of expected term and volatility of the Company's share price are as follows:

		Change in volatility of Company's share price		
		50%	Unchanged (74.65%)	100%
Change in expected term	26 Weeks	£2.15m Decrease	£1.73m Decrease	£0.45m Decrease
	Unchanged (60 weeks)	£1.28m Decrease	-	£1.27m Increase
	91 Weeks	£0.67m Decrease	£0.89m Increase	£2.38m Increase

(In GBP)	QRC Loan Payable
At 30 June 2020	-
Additions	(14,956,849)
Interest	(105,515)
Foreign Exchange gain	321,464
Recognition of fair value embedded option	3,045,213
At 31 December 2020	**(11,695,687)**

Short term borrowings at 31 December 2020 are £105,515 (30 June 2020: £nil). Long term borrowings at 31 December 2020 are £11,590,172 (30 June 2020: £nil). Derivative liabilities as at 31 December 2020 are £3,045,213 (30 June 2020: £nil).

8. Property, plant and equipment

Cost (In GBP)	Land & Buildings	Plant & Machinery	Total
30 June 2019	**630,978**	**105,341**	**736,319**
Additions	97,989	139,554	237,543
Foreign exchange difference	7,987	1,296	9,283
30 June 2020	736,954	246,191	983,145
Acquisition Assets	-	87,648	87,648
Additions	29,037	61,827	90,864
Disposals	-	(9,378)	(9,378)
Foreign exchange difference	(10,500)	(2,649)	(13,465)
31 December 2020	**755,491**	**383,639**	**1,139,130**
Depreciation			
30 June 2019	-	15,191	15,191
Charge for the year	14,481	38,164	52,645
Foreign exchange difference	68	4,321	4,389
30 June 2020	14,549	57,676	72,225
Acquisition Assets	0	70,004	70,004
Charge for the year	6,769	29,388	36,157
Disposals	-	(6,054)	(6,054)
Foreign exchange difference	(342)	(2,323)	(2,665)
31 December 2020	**20,976**	**148,691**	**169,667**
Net Book Value			
30 June 2019	630,978	90,150	721,128
30 June 2020	722,405	188,515	910,920
31 December 2020	**734,516**	**234,948**	**969,464**

The Group has three reporting segments and two operating locations which are Bosnia & Herzegovina and Serbia. Split of Land and buildings net book value as follows:

	Bosnia	Serbia	Corporate	Total
30 June 2019	630,978	N/A	-	630,978
30 June 2020	705,951	N/A	16,454	722,405
31 December 2020	718,939		15,577	734,516

Split of other receivables and prepayments as follows as at 30 June 2020:

	Bosnia	Serbia	Corporate	Total
30 June 2019	67,664	N/A	22,487	90,151
30 June 2020	157,840	N/A	30,675	188,515
31 December 2020	185,129	24,317	25,502	234,948

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Exploration and evaluation assets

Cost (In GBP)	Vares Silver Project in Bosnia	Raska Project in Serbia	Exploration & Evaluation Assets
30 June 2019	**4,055,997**	**-**	**4,055,997**
Additions	5,048,523	-	5,048,523
Foreign exchange difference	49,522	-	49,522
30 June 2020	**9,154,042**	**-**	**9,154,042**
Acquisition (note 10)	-	24,456,506	24,456,506
Additions	3,052,019	-	3,052,019
Foreign exchange difference	(63,870)	-	(63,870)
31 December 2020	**12,142,191**	**24,456,506**	**36,598,697**
Amortisation			
30 June 2019	**84,787**	**-**	**84,787**
Charge for the year	23,317	-	23,317
Foreign exchange difference	769	-	769
30 June 2020	**108,873**	**-**	**108,873**
Charge for the period	11,469	-	11,469
Foreign exchange difference	(1,369)	-	(1,369)
31 December 2020	**118,973**	**-**	**118,973**
Net Book Value			
30 June 2019	**3,971,210**	**-**	**3,971,210**
30 June 2020	**9,045,169**	**-**	**9,045,169**
31 December 2020	**12,023,218**	**24,456,506**	**36,479,724**

Exploration and evaluation assets include amount of £24,456,506 added in the period in respect of Tethyan exploration rights for the TAOR d.o.o Kremice licence (measured at historical cost £1,587,934) and Ras Metals d.o.o. licences Kizevak & Sastavci measured as the consideration paid for the combined Tethyan group minus the net book value of assets, being 22,868,571. The remaining exploration and evaluation assets are in respect of the Vares Silver Project concession, located in Bosnia & Herzegovina. The concession is 100% owned by Eastern Mining d.o.o. From 25 May 2020, the Vares Silver Project became subject to a minimum annual concession fee of €199,325 per annum. Concession fees are included in additions to exploration and evaluation assets and amortisation charged over the life of the concession granted. All other exploration and evaluation assets are not amortised until beginning of the production phase.

Additions during the period include BAM 481,800 paid to the Zenica-Doboj Canton following the award of the new concession area in October 2020 which adds some 32.12km^2 of land in close proximity to the existing Rupice and Veovaca deposits of the Vares Project.

10. Acquisition note

On 11 May 2020, the Company entered into an agreement to acquire 100% of TSX-V listed Tethyan Resource Corp. (TSX-V:TETH) (Tethyan) via a plan of arrangement in British Columbia. The acquisition was finalised on 8 October 2020.

The Transaction confirms the enlarged Company as the leading Balkan polymetallic explorer and developer expanding the Company operations to the Raska region of Serbia by bringing the Kizevak & Sastavci projects into the group.

As part of the agreement the Company provided a secured convertible loan facility of €1.8 million to Tethyan was advanced. The funding provided to Tethyan is being used for confirmation and expansion drilling, geophysics, baseline environmental studies at the Raska project in Serbia and general working capital purposes.

Tethyan had entered into an option agreement with EFPP d.o.o. (EFPP) the holders of the Kizevak & Sastavci licences, first closing was completed on 14 May 2020 to acquire 10% equity in EFPP d.o.o. Immediately prior to the completion of the acquisition of Tethyan by the Company the Kizevak & Sastavci licences were spun out to a newly formed company Ras Metals d.o.o. (Ras) in which Tethyan also held a 10% equity interest, which had been a condition precedent to closing of Tethyan acquisition.

As at 31 December 2020 Tethyan continued to hold a 10% equity interest in Ras and EFPP with the option to acquire the remaining 90% equity in each.

On 23 February 2021, the Company completed the acquisition of the entire issued share capital of Ras, further details of which are provided in note 25, and also disposed of its 10% equity stake in EFPP for a nominal amount.

Management performed an assessment and deemed that substantive control of the Tethyan Group, including Ras, was obtained on 8 October 2020. The acquisition of Tethyan was classified as an asset acquisition due to not meeting the definition of a business in line with IFRS 3. See Significant estimates note for further details.

Cost of Acquisition

Total cost of acquisition is measured as follows:

	Consideration Value
Shares issued	£17,129,828
Share options issued	£236,571
Warrants issued	£2,797,086
Total equity consideration	£20,163,485
Value of consideration payable under Ras Metals d.o.o. option	£2,515,399
Total consideration to be paid	**£22,678,884**

Adriatic has allotted 13,278,937 new ordinary shares pursuant to the Arrangement. The opening LSE share price on the acquisition date was £1.29 giving value of total shares issued £17,129,828.

Pursuant to the Arrangement, on Admission Adriatic will also issue 4,128,633 warrants and 469,779 options to Tethyan warrant holders and Tethyan option holders. Management used the Black-Scholes formula to determine the fair value of the warrants and options issued under IFRS 2. The following assumptions were used:

- Strike price & length of contract determined by each individuals option contracts
- Underlying price (£1.29) determined by the opening share price on date of transaction
- 82.3% volatility determined by 100 day LSE: ADT1 volatility
- Risk free rate 0.01% used (on basis of short term UK gilt rate giving negative rates)

Fair value of options issued £236,571, fair value of warrants issued £2,797,086.

At any time within 12 months of the first closing, the Company may acquire the remaining 90% ownership stake in Ras Metals by:

- making a payment of €1,375 to the sellers of Ras;
- grant a 2% NSR over the licenses
- issue 664,000 shares of the Company to the sellers in four equal tranches every six months commencing on second closing; and
- make a EUR 500,000 payment on the two-year anniversary of the first closing.

With the exception of the 2% NSR grant over the licenses which can't be reliably estimated at this stage, the fair value of remaining consideration payable under Ras Option agreement was estimated at £2,515,399.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Measurement of assets and liabilities

IFRS 10 requirement to record assets acquired at cost; cost is allocated over the group of assets at relative fair value. In the case of an asset acquisition (rather than business combination), the consideration equals the combined fair value of assets acquired. Consideration above the historical book value of assets should be recognised as an exploration and evaluation asset (representing the value of the rights contained within licenses acquired).

The Kremice and Kaznovice licenses were historically accounted for as an asset acquisition by the Tethyan Group when originally acquired. The fair value of the consideration paid was determined and allocated as to Exploration and evaluation assets of 250,000 EUR cash plus 12,000,000 shares issued in Tethyan, equating to £1,587,934. The net asset position of 100% owned Tethyan companies when acquired was (£189,687) which includes the aforementioned exploration and evaluation assets. The Kizevask & Sastavci licenses held by Ras Metals d.o.o. have been assigned the balancing value between Tethyan net assets (£189,687) and the total consideration payable £22,678,884, being £22,868,571. The combined exploration and evaluation assets capitalised totals £24,456,505.

Treatment of Ras Metals Option Agreement

The company recognises an investment for the fair value of the equity acquired (being 10% share of Ras Metals and 100% share of equity in all other Tethyan entities) totalling £2,097,170. The excess value of the transaction over the investment is recognised as a call option asset totalling £20,581,714. The fair value of the remaining consideration to be paid of £2,515,399 has been recognised as an option liability. When the option liability is paid the amount will be capitalised in exploration and evaluation assets and any difference arising from future foreign exchange movements will be recognised in the profit & loss.

Apportioned fair value to Ras Metals d.o.o. 10% owned	£2,286,857
Total investment recognised in company accounts	£2,097,170
Remaining fair value apportioned to 90% call option Ras Metals	£20,581,714
Total Fair Value of Consideration to be paid	£22,678,884
Net liability position of Tethyan 100% owned	189,687
Exploration assets included within the net assets of Tethyan 100% owned entities	£1,587,934
Total exploration and evaluation asset value	**£24,456,505**

Asset Acquisition

The net cash used in the acquisition of subsidiaries and the provisional fair value of assets acquired and liabilities assumed on the acquisition date is detailed below:

	Fair Value
Cash and cash equivalents	£311,964
Other receivables and prepayments	£56,349
Property, plant and equipment	£17,644
Exploration & evaluation asset	£1,587,934
Accounts payable and accrued liabilities	(£506,900)
Related party borrowings	(£1,640,838)
Other Equity	(£15,840)
Total Assets acquired	**(£189,687)**

Management have determined there is no present access to returns in Ras Metals d.o.o. owing to the variable consideration included in the exercise price. As such the Group recognises a 90% non-controlling interest in Ras Metals d.o.o. totalling £2,515,399 measured as the balancing figure between the fair value of the acquisition, fair value of Tethyan assets acquired, the investment recognised in the company accounts.

Total assets acquired net of consolidation adjustments	(£189,687)
Investment eliminated for Group accounts	(£2,097,170)
Mining and intangible assets recognised on acquisition	£24,456,505
Non-controlling Interest recognised	£2,515,399

Total loss attributable to non-controlling interest post 8 October 2020 acquisition in the period totals (£519,111), combined with the amount recognised on acquisition of £2,515,399, the balance of non-controlling interest at 31 December 2020 was 1,996,288.

11. Accounts payable and accrued liabilities

(In GBP)	31 December 2020	30 June 2020
Trade payables	1,222,012	466,610
Accrued liabilities	639,743	132,826
Other payables	38,682	82,966
	1,900,437	**682,402**

12. Right of Use Assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

(In GBP)	Land & buildings
30 June 2019	-
Additions	265,612
Amortisation	(13,714)
30 June 2020	251,898
Amortisation	(15,549)
31 December2020	**236,349**

The right of use asset relates to the new lease for the Group's head office. Under IFRS 16 this has been recognised as a right of use asset.

Set out below are the carrying amounts of lease liabilities and the movements during the year:

(In GBP)	
30 June 2019	-
Additions	265,612
Interest expense	11,580
Payments	(11,571)
30 June 2020	265,621
Interest expense	10,523
Payments	(20,803)
31 December2020	**255,341**

Of this amount, £35,609 is recognised as a current liability and the remainder £219,731 is shown within non-current liabilities.

The following are the amounts recognised in profit or loss:

Cost (In GBP)	31 December 2020	30 June 2020
Depreciation expense of right-of-use assets	15,549	13,714
Interest expense on lease liabilities	10,523	11,580
Total amount recognised in profit or loss	**26,072**	**25,294**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Financial instruments

IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction. Set out below are the financial instruments held at amortised cost and fair value through profit or loss and their fair value measurement hierarchy (excluding short term assets and liabilities).

See note referenced for further detail on inputs to fair value for each financial instrument.

As at 31 December 2020 (In GBP)	Note	At amortised cost	At fair value through profit or loss	Total	Fair Value Hierarchy
Financial assets					
Cash and cash equivalents		29,580,538	-	29,580,538	N/A
Other receivables and prepayments	5	146,816	-	146,816	N/A
Total financial assets		**29,727,354**	**-**	**29,727,354**	
Financial liabilities					
Accounts payable and accrued liabilities	11	1,900,437	-	1,900,437	N/A
Borrowings	7	11,695,687		11,695,687	Level 3
Borrowings – derivative liability	7	-	3,045,213	3,045,213	Level 3
FV Option Liability -acquisition of Ras Metals	10	-	2,515,399	2,515,399	Level 3
Lease liabilities	12	255,341		255,341	Level 3
Total financial liabilities		**13,851,465**	**5,560,612**	**19,412,077**	
Net financial assets		**15,875,889**	**(5,560,612)**	**10,315,277**	

As at 30 June 2019 (In GBP)	Note	At amortised cost	At fair value through profit or loss	Total	Fair Value Hierarchy
Financial assets					
Financial asset at fair value through profit and loss	6	–	1,241,514	1,241,514	Level 3
Cash and cash equivalents		9,942,728	–	9,942,728	N/A
Other receivables and prepayments	5	113,055	–	113,055	N/A
Total financial assets		**10,055,783**	**1,241,514**	**11,297,297**	
Financial liabilities					
Accounts payable and accrued liabilities	11	682,402	–	682,402	N/A
Lease liabilities	12	265,621	–	265,621	Level 3
Total financial liabilities		**948,023**	**–**	**948,023**	
Net financial assets		**9,107,760**	**1,241,514**	**10,349,274**	

14. Financial risk management

a. Credit risk

Credit risk arises from the risk that a counter party will fail to perform its obligations. Financial instruments that potentially subject the Group to concentrations of credit risk consist of cash and cash equivalents and other receivables.

Due to the nature of the business, the Company's exposure to credit risk arising from routine operating activities is currently inherently low. However, the Audit & Risk Committee considers the risks associated with new material counterparties where applicable to ensure the associated credit risk is of an acceptable level.

The Group's cash is held in major UK, Australian, Serbian and Bosnian financial institutions, and as such the Group is exposed to credit risks of those financial institutions. Under Standard & Poor's short-term credit ratings, the Group's cash balances are all held in institutions with either an A-1 or A-2 rating and as such are considered to have low credit risk.

The total carrying amount of cash and cash equivalents, other receivables and the fair value financial asset in respect of Tethyan Resource Corp. represents the Group's maximum credit exposure.

The Group's other receivables predominantly relate to value added tax receivables due from governments in the UK and Bosnia. These amounts are excluded from the definition of financial instruments in the accounts and in and event are considered to have low credit risk. Of the remaining other receivables and prepayments, any changes in management's estimate of the recoverability of the amount due will be recognised in the period of determination and any adjustment may be significant.

The Board of Directors, with input from the Audit & Risk Committee is ultimately responsible for monitoring exposure to credit risk on an ongoing basis and does not consider such risk to be significant at this time. As such, the Group considers all if its accounts financial assets to be fully collectible.

b. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

The following table illustrates the contractual maturity analysis of the Group's gross financial liabilities based on exchange rates on the reporting date. Contractual gross financial liabilities, shown below, are undiscounted estimated cash outflows which were applicable includes estimated future interest payments.

As at 31 December 2020 (In GBP)	Within 30 days	30 days to 6 months	6 to 12 months	Over 12 months
Accounts payable and accrued liabilities	2,172,496	–	–	–
Borrowings		105,515		11,590,172
Derivative liability				3,045,213
Lease liabilities	-	17,805	17,805	219,731
	2,172,496	**123,320**	**17,805**	**14,855,116**

As at 30 June 2020 (In GBP)	Within 30 days	30 days to 6 months	6 to 12 months	Over 12 months
Accounts payable and accrued liabilities	682,402	–	–	–
Lease liabilities	-	-	-	369,745
	682,402	**-**	**-**	**369,745**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

c. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the value of the Group's financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximising long term returns.

The Group conducts development and exploration projects in Bosnia. As a result, a portion of the Group's expenditures, other receivables, cash and cash equivalents, accounts payables and accrued liabilities are denominated in Bosnian Marks, Great Britain Pounds, Australian Dollars, US Dollars, and euros and are therefore subject to fluctuation in exchange rates.

As at 31 December 2020, a 10% change in the exchange rate between the Great Britain Pound and the Bosnian Mark and Serbian Dinar, which is a reasonable estimation of volatility in exchange rates, would have an approximate £0.1 million change to the Group's total comprehensive loss.

d. Fair values

The fair value of cash, other receivables, accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of the instruments.

Fair value measurements recognised in the statement of financial position subsequent to initial fair value recognition can be classified into Levels 1 to 3 based on the degree to which fair value is observable.

Level 1 – Fair value measurements are those derived from quoted prices in active markets for identical assets and liabilities.

Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly, or indirectly.

Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The level 3 fair value for the loan receivable is disclosed in note 6.

There were no transfers between any levels of the fair value hierarchy in the current or prior years.

e. Capital management

The Group's objectives in managing capital are to safeguard its ability to operate as a going concern while pursuing exploration and development and opportunities for growth through identifying and evaluating potential acquisitions of assets or businesses. The Company defines capital as the equity attributable to equity shareholders of the Company which at 31 December 2020 was £29,526,658 (30 June 2020: £20,895,753).

The Group sets the amount of capital in proportion to risk and corporate growth objectives. The Group manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets.

15. Equity

a. Authorised share capital

The authorised share capital of the Company consists of an unlimited number of voting ordinary shares with a nominal value of £0.013355.

b. Common shares issued

	Shares	Share Capital (In GBP)	Share Premium In GBP)
30 June 2019	150,782,587	2,013,701	11,084,777
Issue of share capital	25,083,400	334,989	13,015,388
Share issue costs	–	–	(797,655)
Shares issued on exercise of options and performance rights	3,975,000	53,087	690,457
30 June 2020	179,840,987	2,401,777	23,992,967
Issue of share capital	5,276,595	70,469	6,129,531
Shares issued on acquisition of subsidiary	13,278,937	177,340	16,952,489
Settlement placement	4,830,156	64,507	4,791,547
Share issue costs		0	(1,598,603)
Shares issued on exercise of options and performance rights	4,350,000	58,093	203,817
31 December 2020	**207,576,675**	**2,772,186**	**51,471,748**

The average price paid for shares issued in the period was £1.06 per share (30 June 2020: £0.49 per share)

c. Share options and performance rights

All share options and performance rights are issued under the Group's share option plan. The following tables summarise the activities and status of the Company's share option plan as at and during the six months ended 31 December 2020

	Weighted average exercise price of options (A$)	Number of options	Number of performance rights	Total options and performance rights
30 June 2019	0.33	19,200,000	-	19,200,000
Issued	1.19	4,000,000	6,560,000	10,560,000
Exercised	0.42	(3,225,000)	(750,000)	(3,975,000)
Expired	0.60	(375,000)	(2,000,000)	(2,375,000)
30 June 2020	0.46	19,600,000	3,810,000	23,410,000
Issued	2.20	1,000,000	2,575,000	3,575,000
Acquired Tethyan Acquisition	0.66	469,779	-	469,779
Exercised	0.61	(3,700,000)	(650,000)	(4,350,000)
Expired	-	-	(2,000,000)	(2,000,000)
31 December 2020	**0.53**	**17,369,779**	**3,735,000**	**21,104,779**

On exercise, holders of performance rights are required to pay £0.013355 for each performance right exercised, being the nominal value of one ordinary share.

Options and performance rights granted in the period were valued using the Black-Scholes method (section f).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

Grant date	Options outstanding	Exercise price	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable
27 April 2018	9,000,000	A$0.20	2.5	1 July 2023	9,000,000
27 April 2018	1,900,000	A$0.30	0.5	1 July 2021	1,900,000
27 April 2018	1,000,000	A$0.40	0.5	1 July 2021	1,000,000
29 May 2018	1,000,000	A$0.40	0.4	5 June 2021	1,000,000
29 November 2019	1,000,000	A$1.00	1.9	28 November 2022	1,000,000
29 November 2019	2,000,000	A$1.25	1.9	28 November 2022	2,000,000
8 October 2020	182,600	GBP £0.88	0.6	16 August 2021	182,600
8 October 2020	27,666	GBP £0.85	1.0	21 December 2021	27,666
8 October 2020	88,533	GBP £1.06	1.9	5 December 2022	88,533
8 October 2020	29,880	GBP £1.06	2.0	3 January 2023	29,880
8 October 2020	91,300	GBP £1.80	3.2	28 February 2024	39,010
8 October 2020	24,900	GBP £2.22	3.2	7 March 2024	2,490
8 October 2020	24,900	GBP £1.20	3.6	19 August 2024	2,490
6 November 2020	1,000,000	A$2.20	2.9	7 November 2023	1,000,000
	17,369,779				**17,272,669**

As at 30 June 2020

Grant date	Options outstanding	Exercise price	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable
27 April 2018	9,000,000	A$0.20	3.0	1 July 2023	9,000,000
27 April 2018	2,500,000	A$0.30	1.0	1 July 2021	2,500,000
27 April 2018	3,100,000	A$0.40	1.0	1 July 2021	3,100,000
29 May 2018	1,000,000	A$0.40	0.9	5 June 2021	-
29 November 2019	1,000,000	A$1.00	2.4	28 November 2022	1,000,000
29 November 2019	2,000,000	A$1.25	2.4	28 November 2022	2,000,000
29 November 2019	500,000	A$1.25	2.4	28 November 2022	500,000
29 November 2019	500,000	A$1.25	2.4	28 November 2022	-
	19,600,000				**18,100,000**

As at 31 December 2020

Grant date	Performance rights outstanding	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable
29 November 2019	1,160,000	1.9	28 November 2022	410,000
12 June 2020	250,000	4.0	6 January 2025	-
6 August 2020	1,000,000	3.0	31 December 2023	-
6 August 2020	500,000	4.0	31 December 2024	
18 November 2020	825,000	2.0	31 December 2022	-
	3,735,000			**410,000**

As at 30 June 2020

Grant date	Performance rights outstanding	Weighted average remaining contractual	Expiry date	Number exercisable
29 November 2019	1,310,000	2.4	28 November 2022	-
28 February 2020	2,000,000	0.1	31 July 2020	-
12 June 2020	250,000	3.5	6 January 2024	-
12 June 2020	250,000	4.5	6 January 2025	-
	3,810,000			**-**

On exercise, holders of performance rights are required to pay £0.013355 for each performance right exercised, being the nominal value of one ordinary share.

There were no performance rights outstanding at 30 June 2019.

d. Warrents reserve

Warrants were issued as part of Tethyan Resource Corp acquisition.

The following table presents changes in the Group's warrants reserve during the six months ended 31 December 2020:

(In GBP)	Share-based payment reserve
30 June 2020	-
Issue of Warrants on acquisition of Tethyan	4,128,633
31 December 2020	**4,128,633**

As at 31 December 2020

Grant date	Options outstanding	Exercise price	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable
8 October 2020	413,642	A$1.23	0.3	20 April 2021	413,642
8 October 2020	328,671	A$1.23	0.5	29 June 2021	328,671
8 October 2020	527,800	A$1.23	0.6	16 August 2021	527,800
8 October 2020	2,858,520	A$0.88	3.1	30 January 2024	2,858,520
	4,128,633				**4,128,633**

e. Share-based payment reserve

The following table presents changes in the Group's share-based payment reserve during the six months ended 31 December 2020:

(In GBP)	Share-based payment reserve
30 June 2019	1,714,826
Exercise of share options	(732,000)
Expired options [1]	-
Share-based payment expense	3,443,359
30 June 2020	4,426,185
Exercise of share options	(1,173,926)
Acquisition of subsidiary	236,571
Share-based payment expense	2,267,239
31 December 2020	**5,756,069**

1. Expired in the same accounting period as they were granted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Equity - Continued

f. Share-based payment expense

During the year ended 31 December 2020; the Group recognised £2,267,239 (30 June 2020: £3,443,359) of share-based payment expense. The fair value of the share-based compensation was estimated on the dates of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

For the year ended	31 December 2020	30 June 2020
Risk-free interest rate	0.01%	2.01%
Expected volatility [1]	63.65% - 97.76%	78.14% - 115.82%
Expected life (years)	0.85 – 4.41	0.42 – 5.18
Fair value per option	£0.55 - £1.29	£0.39 – £0.68

1. Expected volatility is derived from the Company's historical share price volatility.

With the exception of 1,000,000 options granted to non-executive directors during the year (30 June 2020: 3,000,000) that vested immediately, all options and performance rights have both market and non-market vesting conditions. Non-market vesting conditions include group and individual performance targets such as permitting milestones, exploration drilling rates or completion of business improvement projects. Details of the vesting condition relating to options and performance rights issued to executive Directors are included in the Remuneration Committee Report.

g. Per share amounts

	6 months ended 31 December 2020	Year ended 30 June 2020
Loss for the period attributable to owners of equity (In GBP)	5,694,503	6,238,324
Weighted average number of common shares for the purposes of basic loss per share	190,619,399	168,915,249
Weighted average number of common shares for the purposes of diluted loss per share	213,827,441	185,645,660
Basic loss per share (pence)	(2.99)	(3.69)

3,375,000 (30 June 2020: 5,160,000) options and performance rights have not been included in the calculation of diluted EPS because their exercise is contingent on the satisfaction of certain criteria that had not been met at 31 December 2020.

h. Foreign Currency Translation Reserve

	Foreign Currency Translation Reserve
30 June 2019	74,242
Other comprehensive income	145,563
30 June 2020	219,805
Other comprehensive income	5,775
31 December 2020	**225,580**

i. Cash flow from financing activities

Net cashflow proceeds from the issue of ordinary shares in the period was £12,317,964 (30 June 2020: £13,296,266). Transaction costs arising from financing activities totals £1,447,201 (30 June 2020: £1,447,201).

16. Taxation

a. Current taxation

The tax charge for the period comprises:

(In GBP)	6 months ended 31 December 2020	Year ended 3 0 June 2020
Current tax expense	–	–
Prior year tax expense	1,681	-
Overseas tax	–	–
Deferred tax expense	–	–
Adjustments to deferred tax liability	–	–
Total tax expense	**1,681**	**–**

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation in the United Kingdom applied to loss for the year is as follows:

(In GBP)	6 months ended 31 December 2020	Year ended 30 June 2020
Loss before tax	5,696,184	6,238,324
Expected income tax recovery at 19% (2019 - 19%)	1,082,275	1,185,282
Expenses not deductible for tax purposes	19,384	(654,238)
Different Tax rates applied in overseas jurisdictions	(46,601)	-
Unrecognised taxable losses and timing differences	(1,055,058)	(531,043)
Adjustment for under/(over) provision in previous periods	(1,681)	-
Total income taxes	**(1,681)**	**-**

b. Deferred tax

The Group has no recognised deferred tax balance or gain/loss for the year ended 30 June 2020 or 2019 because of uncertainty regarding future taxable profits. As at 31 December 2020, the Group has, for tax purposes, non-capital losses available to carry forward to future years as follows:

(In GBP)	31 December 2020	30 June 2020	Expiry Date
UK	12,323,011	4,752,719	Not applicable
Bosnia	1,417,043	1,258,100	5 years
Serbia	3,073,548	-	5 years
Canada	960,972	-	20 years
	17,774,574	**6,010,819**	

The expiry of non-capital losses available to carry forward in Bosnia and Serbia is as follows:

(In GBP)	31 December 2020	
	Serbia	Bosnia
Within one year	514,525	108,477
1-2 years	49,436	205,596
2-3 years	653,104	220,180
3-4 years	722,580	392,646
Within 5 years	1,133,903	490,144
	3,073,548	**1,417,043**

As a result of the Tethyan acquisition, Tethyan Resource Corp was acquired, this company is incorporated in Canada, non-capital losses available to carry forward to future years is £960,972 with year of expiry 2040.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Exploration activities expensed

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.

(In GBP)	6 months ended 31 December 2020	Year ended 30 June 2020
Exploration activities expensed	798 ,028	-

18. General and administrative expenses

(In GBP)	6 months ended 31 December 2020	Year ended 30 June 2020
Wages and salaries	616,278	350,526
Consultancy fees	468,047	676,149
Cash remuneration in respect of qualifying services	**1,084,325**	**1,026,675**
Professional fees	313,760	1,051,354
Amortisation	27,017	37,031
Depreciation	36,157	52,645
Audit fee	100,175	47,289
Marketing	75,250	161,003
Stock exchange fees	136,166	358,663
Other costs	342,857	580,974
	2,115,707	**3,315,634**

19. Finance income and expense

(In GBP)	6 months ended 31 December 2020	Year ended 30 June 2020
Interest income	-	50,366
Foreign exchange gain	-	152,765
Finance income	**-**	**203,131**

(In GBP)	6 months ended 31 December 2020	Year ended 30 June 2020
Interest Expense	82,744	-
Interest expense on lease liabilities	10,523	11,580
Foreign exchange loss	103,772	-
Finance expense	**197,039**	**11,580**

20. Segmental information

It is the opinion of the Directors that there are three reporting segments within the operations of the Group which are assessed when evaluation performance

Split of performance is below:

Segmental Split	Six months ended 31 December 2020				Year ended 30 June 2020		
(In GBP)	Bosnia	Serbia	Corporate	Total	Bosnia	Corporate	Total
Exploration activities expenses	(5,015)	(793,013)	0	(798,028)	0		0
General and administrative expenses	(249,932)	(425,935)	(1,440,840)	(2,115,707)	(465,903)	(2,849,731)	(3,315,634)
Share-based payment expense	0		(2,267,239)	(2,267,239)		(3,443,360)	(3,443,360)
Other Income			4,816	4,816		6,131	6,131
Operating Loss	**(254,947)**	**(1,217,948)**	**(3,703,263)**	**(5,176,158)**	**(465,903)**	**(6,286,960)**	**(6,752,863)**
Finance income			-	-		203,131	203,131
Finance expense			(197,039)	(197,039)		(11,580)	(11,580)
Revaluation of fair value asset			(322,987)	(322,987)		322,987	322,987
Loss before tax	(254,947)	(1,217,948)	(4,223,289)	(5,696,184)	(465,903)	(5,772,422)	(6,238,325)
Tax charge	0	0	1,681	1,681		0	0
Loss sfter tax	**(254,947)**	**(1,217,948)**	**(4,221,608)**	**(5,694,503)**	**(465,903)**	**(5,772,422)**	**(6,238,325)**
Exploration and evaluation assets additions capitalised	3,052,019	24,456,506	-	27,456,506	5,048,523	-	5,048,523

21. Related party disclosures

a. Related party transactions

The Group's related parties include key management personnel, companies which have directors in common and their subsidiaries.

The Company engaged Swellcap Limited, a related party controlled by Paul Cronin to provide the Company with corporate office facilities and services, payments totalled £18,972 for the six months ended 31 December 2020 (30 June 2020: £34,622). Following the Company entering in to a lease for office premises in December 2019 the Company invoiced Swellcap Limited £4,816 for office facilities and services for the six months ended 31 December 2020 (30 June 2020: £6,131).

Balances outstanding with related parties was £13,899 at 31 December 2020 (30 June 2020: £nil)

Transactions with key management personnel are disclosed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b. Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel are considered to be the Non-Executive Directors, the Chief Executive Officer and the Chief Financial Officer, their remuneration is presented below:

(In GBP)	6 months ended 31 December 2020	Year ended 30 June 2020
Board fees	104,767	243,594
Consultancy fees	172,991	539,629
Cash remuneration in respect of qualifying services	**277,758**	**783,223**
Share based payments expense	736,715	2,880,487
Social security costs	15,030	16,835
	1,029,503	**3,680,545**

Share based payments expense is stated at fair value at the time of grant using the Black-Scholes Option Pricing Model. Further details are available in note 15f of the accounts.

Consultancy fees above include the following amounts paid to related party companies controlled by key management personnel:

(In GBP) Related party	Controlling party	6 months ended 31 December 2020	Year ended 30 June 2020
Swellcap Limited	Paul Cronin	84,999	198,998
GPE Consulting Limited	Geoff Eyre	87,992	80,830
Gumtree Limited	Sean Duffy	-	72,718

There were no balances outstanding with related parties as at 31 December 2020 (30 June 2020: £nil).

22. Directors and employees

Employees of the Group are all employees including Directors, key management personnel and personnel in management positions engaged via management services contracts. The below information relates to all employees and all costs, including those capitalised.

(In GBP)	6 months ended 31 December 2020	Year ended 30 June 2020
Gross salaries	724,217	416,930
Consultancy fees	305,914	882,432
Cash remuneration in respect of qualifying services	**1,030,131**	**1,299,362**
Social security costs	80,813	62,407
Defined contribution pension cost	2,306	2,975
Share based payments expense	2,267,239	3,443,359
Total	**3,380,489**	**4,808,103**
Average number of employees	73	39

Average number of employees has increased to 73 in the period (30 June 2020 – 39 employees) due to increasing staff numbers as the Vares Project progresses as well as the acquisition of Tethyan group.

Share based payments expense is stated at fair value at the time of grant using the Black-Scholes Option Pricing Model. Further details are available in note 15f of the accounts.

Directors' remuneration totalled the following:

(In GBP)	6 months ended 31 December 2020	Year ended 30 June 2020
Board fees	104,767	243,594
Consultancy fees	84,999	386,081
Cash remuneration in respect of qualifying services	**189,766**	**629,675**
Average number of Directors	6	6

Additionally, the monetary value of directors' share awards that vested in the period, calculated as the number of awards vested multiplied by the share price on the vesting date less options exercise price or performance rights nominal value payable, was £66,244 (30 June 2020: £853,978) of which £66,244 relates to Non-Executive Directors (30 June 2020: £233,247).

The highest paid Director in the six months ended 31 December 2020 received cash remuneration, excluding notional gains on share options or performance rights, of £106,859 (30 June 2019: £238,897). The highest paid Director in the year ended 30 June 2020 received remuneration, inclusive of the monetary value of share awards that vested in the year, of £106,859 (30 June 2020: £858,889).

Of the total amount incurred as Directors remuneration, £nil (30 June 2020: £nil) remains in accounts payable and accrued liabilities on 31 December 2020.

23. Commitments and contingencies

The Group had no significant commitments as at 31 December 2020 (30 June 2020: £nil), other than the lease of the Group's head office disclosed in note 12 and annual concession fees disclosed in note 9.

24. Prior year adjustment

During the year ended 30 June 2020 (the comparative reporting period) the exercise of share options which had previously generated a cumulative share based payment expense of £732,000 within the share based payment reserve. On exercise the £732,000 cumulative charge was incorrectly transferred against the share premium account.

Under the provisions of the accounting standards and Companies act, when new shares are issued in connection with an employee share scheme, the share premium account will normally need to reflect only the cash subscribed for the shares. The amount recognised as a cumulative share based payment expense should be credited to a reserve other than share premium. The basis for this is that the services undertaken by the employee do not, as a matter of law, form part of the consideration received for the shares issued on exercise of the options.

The adjustment to the comparative figures for the year ended 30 June 2020 represents a change in classification within equity only. With a £732,000 decrease in the share premium account and an equal increase in retained earnings. There is no impact on the Group and Parent Company Net assets, profit or loss or cash flow statement for the year ended 30 June 2020.

25. Subsequent events

On 23 February 2021, the Company completed the acquisition of the entire issued share capital of Ras Metals d.o.o. (Ras) under an agreement held by Tethyan Resource Corp, a wholly owned subsidiary of the Company. The consideration paid for the remaining 90% of the shares in Ras that the Company did not already hold was EUR 1,365,000 in cash plus the allotment of 166,000 Ordinary shares of £0.013355 each in the Company. Additionally, deferred consideration of EUR 500,000 in cash, is payable on 14 May 2022, and 498,000 Ordinary shares in the Company that will be allotted in three equal tranches on or around 22 August 2021, 22 February 2022 & 22 August 2022.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

(In GBP)	Note	31 December 2020	(Restated) 30 June 2020
ASSETS			
Current assets			
Cash and cash equivalents		27,983,443	9,577,188
Other receivables and prepayments	f	5,118,660	139,261
Financial asset at fair value through profit and loss	j	-	1,241,514
Total current assets		**33,102,103**	**10,957,963**
Non-current assets			
Investment in subsidiaries	i	17,324,405	11,021,333
Fair value option asset on acquisition	j	20,581,714	-
Property, plant and equipment	g	41,079	47,129
Right of use asset	o	236,349	251,898
Total non-current assets		**38,183,547**	**11,320,360**
Total assets		**71,285,650**	**22,278,323**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	h	3,740,393	314,047
Lease liabilities	p	35,609	10,530
Option liability	j	2,515,399	
Borrowings	j	105,515	
Total current liabilities		**6,396,916**	**324,577**
Non-current liabilities			
Lease liabilities	p	219,731	255,091
Borrowings	j	11,590,172	
Derivative Liability	j	3,045,213	
Total non-current liabilities		**14,855,116**	**255,091**
Total liabilities		**21,252,032**	**579,668**
Shareholders' equity			
Share capital	l	2,772,186	2,401,777
Share premium	l	51,471,748	23,992,967
Share-based payment reserve	l	5,756,069	4,426,185
Warrants reserve expense	l	2,797,086	-
Retained earnings	l	(12,763,471)	(9,122,274)
Total shareholders' equity		**50,033,618**	**21,698,655**
Total liabilities and shareholders' equity		**71,285,650**	**22,278,323**

See note 24 of the Consolidated Financial Statements for details of the restatement of the prior year comparatives.

The accompanying notes on pages 114 – 118 are an integral part of these Parent Company Financial Statements.

The Company's loss after tax for the six months ended 31 December 2020 was £4,957,675 (year ended 30 June 2019: £5,782,084).

The Parent Company Financial Statements of Adriatic Metals PLC, registered number 10599833, were approved and authorised for issue by the Board of Directors on 30 March 2021 and were signed on its behalf by:

Paul Cronin
Managing Director & Chief Executive Officer

Geoff Eyre
Chief Financial Officer & Joint Company Secretary

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

(In GBP)	Note	Number of shares	Value	(Restated) Share premium	Share-based payment reserve	Warrants reserve	(Restated) Retained earnings	Total equity
30 June 2019		150,782,587	2,013,701	11,084,777	1,714,826	-	(4,072,190)	10,741,114
Loss for the year		-	-	-	-	-	(5,782,084)	(5,782,084)
Total comprehensive loss		**-**	**-**	**-**	**-**	**-**	**(5,782,084)**	**(5,782,084)**
Issue of share capital	14	25,083,400	334,989	13,015,388	-	-	-	13,350,377
Share issue costs	14	-	-	(797,655)	-	-	-	(797,655)
Exercise of options	14	3,975,000	53,087	690,457	(732,000)	-	732,000	743,544
Issue of options	14	–	–	–	3,443,359	-	–	3,443,359
30 June 2020		**179,840,987**	**2,401,777**	**23,992,967**	**4,426,185**	**-**	**(9,122,274)**	**21,698,655**
Loss for the period		-	-	-	-	-	(4,957,675)	(4,957,675)
Total comprehensive loss		**-**	**-**	**-**	**-**	**-**	**(4,957,675)**	**(4,957,675)**
Issue of share capital	15	5,276,595	70,469	6,129,531	-	-	-	6,200,000
Settlement Placement	15	4,830,156	64,507	4,791,547	-	-	-	4,856,054
Share issue costs	15	-	-	(1,598,603)	-	-	142,551	(1,456,052)
Exercise of options	15	4,350,000	58,093	1,203,817	(1,173,926)	-	1,173,927	1,261,911
Issue of options	15	-	-	-	2,267,239	-	-	2,267,239
Acquisition of subsidiary		13,278,937	177,340	16,952,489	236,571	2,797,086	-	20,163,486
31 December 2020		**207,576,675**	**2,772,186**	**51,471,748**	**5,756,069**	**2,797,086**	**(12,763,471)**	**50,033,618**

See note 24 of the Consolidated Financial Statements for details of the restatement of the prior year comparatives.

See note t for details of the restatement of the prior year comparatives.

The accompanying notes on pages 114-118 are an integral part of these Parent Company Financial Statements.

PARENT COMPANY STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

(In GBP)	Note	Six months ended 31 December 2020	Year ended 30 June 2020
Cash flows from operating activities			
Loss for the period	e	(4,957,675)	(5,782,084)
Adjustments for:			
Depreciation of property, plant and equipment	g	6,969	16,946
Amortisation of right-of-use assets	o	15,549	13,714
Share-based payment expense	l	2,267,239	3,443,359
Finance income		-	(193,468)
Finance expense		134,504	11,580
Revaluation of fair value asset		322,987	(322,987)
Changes in working capital items:			
Increase in other receivables and prepayments		(3,110,904)	(42,015)
Increase Accounts payable and accrued liabilities		3,407,207	211,350
Net cash used in operating activities		**(1,914,124)**	**(2,643,605)**
Cash flows from investing activities:			
Investment in subsidiaries		(3,309,554)	(5,390,808)
Purchase of property, plant and equipment		(919)	(48,789)
Loan issued		(1,881,641)	(876,201)
Interest received		-	28,079
Net cash from/(used) in investing activities		**(5,192,113)**	**(6,287,719)**
Cash flows from financing activities			
Issues of ordinary shares	l	12,317,964	13,296,266
Transaction costs arising from financing activities	l	(1,447,201)	
Proceeds from loans and borrowings	q	14,956,849	-
Interest paid on lease liabilities		(10,523)	(11,580)
Net cash flows from financing activities		**25,817,089**	**13,284,686**
Net increase in cash and cash equivalents		18,710,852	4,353,362
Exchange (losses) / gains on cash and cash equivalents		(304,597)	123,062
Cash and cash equivalents at beginning of the period		9,577,188	5,100,764
Cash and cash equivalents at end of the period		**27,983,443**	**9,577,188**

The accompanying notes on pages 114-118 are an integral part of these Parent Company Financial Statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

a. Corporate information

These Financial Statements represent the individual financial statements of Adriatic Metals PLC (the "Parent Company"), the parent company of the Adriatic Metals Group for the six months ended 31 December 2020.

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 Ground Floor, Regent House, 65 Rodney Road, Cheltenham, GL50 1HX.

b. Basis of preparation

i) Statement of compliance

These Parent Company Financial Statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS") adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("EU") applied in accordance with the provisions of the Companies Act 2006.

IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee, and there is an ongoing process of review and endorsement by the European Commission.

The Parent Company Financial Statements were authorised for issue by the Board of Directors on 30 March 2021.

ii) Basis of measurement

These Financial Statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

The presentation currency of these Financial Statements is Great Britain pounds ("GBP"). The functional currency of the Company is deemed to be the GBP under IAS 21.

iii) Going concern

Refer to accounting policies in note 3 of the notes to the Consolidated Financial Statements.

c. Accounting policies

In addition to the accounting policies in note 3 of the Consolidated Financial Statements, the following accounting policies are relevant only to the Parent Company Financial Statements.

i) Investments in subsidiaries

Unlisted investments are carried at cost, being the purchase price, less provisions for impairment. Additional consideration paid when subscribing for new shares, which is the primary mechanism used for funding the subsidiary, are made via capital contributions and recorded as additions to investments in subsidiaries.

d. Critical accounting estimates and judgements

The preparation of the Parent Company's Financial Statements in accordance with IFRS requires management to make certain judgements, estimates, and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from these estimates. In addition to the critical accounting estimates and judgements in note 4 of the Consolidated Financial Statements, the following information about the significant judgements, estimates, and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses that are relevant only to the Parent Company Financial Statements are discussed below.

i) Value of investments in subsidiaries

The Parent Company, investments in subsidiary, which are made via capital contributions, are reviewed for impairment if events or changes indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant generating unit or disposal value if higher. No impairment indicators were identified in the six months ended 31 December 2020.

e. Loss for the period

The Parent Company has taken advantage of the exemption under section 408 (3) of the Companies Act 2006 and thus has not presented its statement of comprehensive income in these Parent Company Financial Statements. The Parent Company's loss after tax for the period is £4,957,675 (Year ended 30 June 2020 – £5,782,084).

f. Other receivables and prepayments

Other receivables contain amounts receivable for VAT, prepaid expenses and deposits paid. All receivables are held at cost less any provision for impairment. A provision for impairment is made where there is objective evidence that the receivable is irrecoverable. All receivables are due within one year.

(In GBP)	31 December 2020	30 June 2020
Other receivables	-	17,063
Prepayments and deposits	70,415	47,203
Taxes recoverable	98,072	74,995
Amounts receivable from subsidiaries (note m)	4,950,173	-
	5,118,660	**139,261**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

g. Property, plant and equipment

Cost (In GBP)	Land & Buildings	Plant and machinery	Total
30 June 2019	-	26,454	26,454
Additions	17,425	27,405	44,830
30 June 2020	17,425	53,859	71,284
Additions	-	-	-
31 December 2020	**17,425**	**53,859**	**71,284**
Depreciation			
30 June 2019	–	3,968	3,968
Charge for the period	970	19,217	20,187
Disposals	–	–	-
30 June 2020	970	23,185	24,155
Charge for the period	878	6,091	6,969
31 December 2020	**1,848**	**29,276**	**31,124**
Net Book Value			
30 June 2019	-	22,486	22,486
30 June 2020	**16,455**	**30,674**	**47,129**
31 December 2020	**15,577**	**25,502**	**41,079**

h. Accounts payable and accrued liabilities

(In GBP)	31 December 2020	30 June 2020
Trade payables	238,940	233,058
Accrued liabilities	405,205	74,474
Other payables	14,570	6,515
Amounts payable to subsidiaries (note m)	3,081,678	-
	3,740,393	**314,047**

i. Investments in subsidiaries

The breakdown of the investments in subsidiaries is as follows:

Cost (In GBP)	Eastern Mining d.o.o.	Tethyan Resource Corp.	Total
30 June 2019	5,623,315	-	5,623,315
Additions	5,398,018	-	5,398,018
30 June 2020	11,021,333	-	11,021,333
Additions	4,205,902	2,097,170	6,303,072
31 December2020	**15,227,235**	**2,097,170**	**17,324,405**

The list of subsidiaries of the Company is presented in note 3a of the notes to the consolidated financial statements.

j. Financial Instruments

The Company's financial assets and liabilities are classified as follows:

As at 31 December 2020 (In GBP)	Note	At amortised cost	At fair value through profit or loss	Total
Financial assets		-	-	-
Related Party Receivables	m	1,868,495		1,868,495
FV Option Asset on acquisition	r		20,581,714	20,581,714
Cash and cash equivalents		27,983,443		27,983,443
Other Receivables and prepayments	f	70,416		70,416
Total financial assets		**29,922,354**	**20,581,714**	**50,504,068**
Financial liabilities				
Accounts payable and accrued liabilities	h	658,715		658,715
Borrowings	q	11,695,687		11,695,687
Derivative Liability	q		3,045,213	3,045,213
FV Option Liability on acquisition	r		2,515,399	2,515,399
Lease liabilities	p	255,340		255,340
Total financial liabilities		12,609,742	5,560,612	18,170,354
Net financial assets		**17,312,612**	**15,021,102**	**32,333,714**

As at 30 June 2020 (In GBP)	Note	17,312,612	15,021,102	32,333,714
Financial assets		12,609,742	5,560,612	18,170,354
Cash and cash equivalents		17,312,612	15,021,102	32,333,714
Other receivables	f	139,261	-	139,261
Financial asset at fair value through profit and loss	n	-	1,241,514	1,241,514
Total financial assets		**9,716,449**	**1,241,514**	**10,957,963**
Financial liabilities				
Accounts payable and accrued liabilities	h	314,047	-	314,047
Lease liabilities	p	265,621	-	265,621
Total financial liabilities		**579,668**	**-**	**579,668**
Net financial assets		**9,136,781**	**1,241,514**	**10,378,295**

k. Financial Risk Management

The Company is exposed to risks that arise from its use of financial instruments. The principle financial instruments used by the Company, from which financial risk arises, are set out in note k. The types of risk exposure the Company is subjected during the year are as follows:

i) Credit risk

The credit risk that the Parent Company is exposed to, and the mitigation thereof, is substantially the same as that of the Group as a whole. Further details are provided in note 13 of the notes to the Consolidated Financial Statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

ii) Liquidity Risk

The liquidity risk that the Parent Company is exposed to, and the mitigation thereof, is substantially the same as that of the Group as a whole. Further details are provided in note 13 of the notes to the Consolidated Financial Statements.

The following table illustrates the contractual maturity analysis of the Company's gross financial liabilities based on exchange rates on the reporting date.

As at 31 December 2020 (In GBP)	Within 30 days	30 days to 6 months	6 to 12 months	Over 12 months
Accounts payables and accrued liabilities	658,716	-	-	-
Borrowings	-	105,515	-	11,590,172
Derivative Liability		-		3,045,213
Lease liabilities	-	17,805	17,805	219,731
	658,716	123,320	17,805	14,855,116

As at 30 June 2020 (In GBP)	Within 30 days	30 days to 6 months	6 to 12 months	Over 12 months
Accounts payable and accrued liabilities	314,047	–	–	–
Lease liability	-	–	–	369,745
	314,047			369,745

iii) Market risk

The market risk that the Parent Company is exposed to, and the mitigation thereof, is substantially the same as that of the Group as a whole. Further details are provided in note 14 of the notes to the Consolidated Financial Statements.

As at 31 December 2020, a 10% change in the exchange rate between the Great Britain Pound and the Australian Dollar, which is a reasonable estimation of volatility in exchange rates, would have an approximate £0.6 million change to the Parent Company's total comprehensive loss.

iv) Fair values

The fair value of cash, other receivables, and accounts payable and accrued liabilities and joint venture obligation approximate their carrying values due to the short-term nature of the instruments.

Fair value measurements recognised in the Statement of Financial Position subsequent to initial fair value recognition can be classified into Levels 1 to 3 based on the degree to which fair value is observable.

Level 1 – Fair value measurements are those derived from quoted prices in active markets for identical assets and liabilities.

Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly, or indirectly.

Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The level 3 fair value for the convertible loan asset is disclosed in note 6 of the Consolidated Financial Statements. There were no transfers between any levels of the fair value hierarchy in the current period or prior years.

l. Equity

The movements in share capital, share premium, share based payment reserve, warrants reserve are as detailed in note 15 of the notes to the Consolidated Financial Statements. There are no differences between this and the Parent Company's transactions.

m. Related party disclosures

The Company's related parties include key management personnel, companies which have directors in common and its subsidiaries. Transactions with its Directors and key management personnel and transactions with companies which have directors in common during the period have been disclosed in note 21 of the notes to the Consolidated Financial Statements.

The Company had the following related-party balances and transactions during the six months ended 31 December 2020 and the year ended 30 June 2020.

(In GBP)		Six months ended 31 December 2020	Year ended 30 June 2020	At 31 December 2020	At 30 June 2020
Subsidiary	Nature of transaction	Transaction amount	Transaction amount	Balance owed by / (owed to)	Balance owed by/ (owed to)
Eastern Mining d.o.o.	Trading	3,081,678	-	3,081,678	-
Eastern Mining d.o.o.	Capital contribution	4,205,902	5,398,018	(3,081,678)	-
Tethyan Resources Corp.	Loan	1,518,929	-	1,632,007	-
Tethyan Resources Limited	Loan	236,488	-	236,488	-
Tethyan Resources Jersey	Loan	55,700	-	-	-

Intercompany loan receivables are assessed for impairment at period end. Intercompany loans were made to fund both corporate costs and exploration projects undertaken by subsidiaries. In company subsidiaries other than Eastern Mining (who hold a JORC resource), exploration expenditure is expensed as incurred and not capitalised, as a result these companies net asset position is lower than their loans payable to the company and not recoverable in the short term. Company policy is to impair intercompany loans provided to fund corporate costs but not to impair intercompany loans provided to fund exploration projects on the basis that these exploration projects will add additional long term value. Management will assess for any impairment indicators on an ongoing basis.

n. Financial assets at fair value through profit and loss

The movements in Financial assets at fair value through profit and loss are as detailed in note 6 of the Consolidated Financial Statements. There are no differences between this and the Parent Company's transactions.

o. Right of use asset

The movements in right of use asset are as detailed in note 12 of the Consolidated Financial Statements. There are no differences between this and the Parent Company's transactions.

p. Lease liabilities

The movements in lease liabilities are as detailed in note 12 of the Consolidated Financial Statements. There are no differences between this and the Parent Company's transactions.

q. Borrowings and Derivative Liability

The movements in external loans and imbedded derivative liability are as detailed in note 7 of the Consolidated Financial Statements. There are no differences between this and the Parent Company's transactions.

r. Fair Value of Option Asset and Liability

The movements in fair value of option asset and fair value of option liability are as detailed in note 10 of the Consolidated Financial Statements. The Company may acquire the remaining 90% ownership stake in Ras Metals d.o.o. The excess value of the Tethyan transaction over the investment recorded is recognised as a call option asset totalling £ 20,581,714. Value of remaining consideration payable under Ras Option agreement being £2,515,399 held as a call liability.

These balances are eliminated in the Consolidation Group accounts which includes Ras Metals d.o.o.

s. Commitments

Commitments relating to the Parent Company have been disclosed in note 23 of the Consolidated Financial Statements.

t. Subsequent events

Subsequent events relating to the Parent Company have been disclosed in note 25 of the Consolidated Financial Statement

ADDITIONAL ASX INFORMATION

Corporate governance statement

The Company's corporate governance statement for the 6 months ended 31 December 2020 is available on the Company's website at https://www.adriaticmetals.com/downloads/corp-governance-files-/adt-2020-06-05-cgp-v03.pdf.

This statement has been approved by the Company's Board of Directors and is current as at 30 March 2021. To the extent applicable, the Company has adopted The Corporate Governance Principles and Recommendations (3rd Edition) as published by the ASX Corporate Governance Council (Recommendations).

Principles of Best Practice Recommendations

In accordance with ASX Listing Rule 4.10, Adriatic Metals PLC is required to disclose the extent to which it has followed the Principles of Best Practice Recommendations during the financial year. Where Adriatic Metals PLC has not followed a recommendation, this has been identified and an explanation for the departure has been given.

	Principles and recommendations	Comment
1.	**Lay solid foundations for management and oversight**	
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	The Board is ultimately accountable for the performance of the Company and provides leadership and sets the strategic objectives of the Company. It is responsible for overseeing all corporate reporting systems, remuneration frameworks, governance issues, and stakeholder communications. Decisions reserved for the Board relate to those that have a fundamental impact on the Company, such as material acquisitions and takeovers, dividends and buy backs, material profits upgrades and downgrades, and significant closures. Management is responsible for implementing Board strategy, day-to-day operational aspects, and ensuring that all risks and performance issues are brought to the Board's attention. They must operate within the risk and authorisation parameters set by the Board.
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide securityholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	The Company undertakes comprehensive reference checks prior to appointing a director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of a director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	The terms of the appointment of a non-executive director, or executive directors and senior executives are agreed upon and set out in writing at the time of appointment.
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors.

	Principles and recommendations	Comment
1.5	A listed entity should (a) have a diversity policy which includes requirements for the board or a relevant committee of the board lo set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	The Company's Corporate Governance Plan includes a 'Diversity Policy', which provides a framework for establishing measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them. The Board has also set formal diversity objectives from 2021 which are included as KPIs in the Company's Short Term Incentive Plan. Further detail on the Diversity Policy is included in the Strategic Report of the Directors.
1.6	A listed entity should (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	The Company's Corporate Governance Plan includes a section on performance evaluation practices adopted by the Company. The Chairman reviews the performance of the Board, its committees and individual directors to ensure that the Company continues to have a mix of skills and experience necessary for the conduct of its activities. The most recent performance evaluation of the board was performed during August 2020.
1.7	A listed entity should (a) have and disclose a process for periodically evaluating the performance of its senior executives: and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	The Company's Corporate Governance Plan includes a section on performance evaluation practices adopted by the Company. The Chairman will monitor the Board and the Board will monitor the performance of any senior executives who are not Directors, including measuring actual performance against planned performance. The most recent performance evaluation of the Managing Director and CEO was performed during August 2020.
2.	**Structure of the board to add value**	
2.1	The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors: and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period. the number of times the committee met throughout the period and the individual attendances of the members at those meetings: or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	The Company has established a formal nomination committee. The Company's Corporate Governance Plan includes a Nomination Committee Charter, which discloses the specific responsibilities of the committee. In August 2020 the Nominations Committee was amalgamated with the Remuneration Committee. Refer to the Company's Annual Report for further details regarding the Nomination Committee.

ADDITIONAL ASX INFORMATION - CONTINUED

	Principles and recommendations	Comment
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	The Board's skills matrix is set out below. The matrix reflects the Board's objective to have an appropriate mix of industry and professional experience including skills such as leadership, governance, strategy, finance, risk, IT, HR. policy development, international business and customer relationship. Additionally, external consultants may be brought it with specialist knowledge to complement the board's matrix of skills in the evernt that a deficiency were to exist in required areas.
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest. position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position. association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	Those directors who are considered to be independent are specified in the Directors Report. The length of service of each of the Company's directors is included in the Directors Report.
2.4	A majority of the board of a listed entity should be independent directors.	The majority of the Company's directors are independent.
2.5	The Chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Both Mr. Bilbe, who was the Chairman through the reporting period, and Mr. Rawlinson, who was subsequently appointed Chairman on 3 August 2020, are independent.
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	The Chairman and Company Secretary brief and inform New Directors on all relevant aspects of the Company's operations and background. A director development program is also available to ensure that directors can enhance their skills and remain abreast of important developments.
3.	**Act ethically and responsibly**	
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	The Company's Corporate Governance Plan includes a 'Corporate Code of Conduct', which provides a framework for decisions and actions in relation to ethical conduct in employment.
4.	**Safeguard Integrity In financial reporting**	
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of ifs corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	The Company has established an Audit & Risk Committee. Refer to the Company's Annual Report for further details regarding the Audit & Risk Committee.

	Principles and recommendations	Comment
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	A declaration in accordance with these requirements has been provided by the CEO and CFO.
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	The Company seeks to ensure that where possible a representative of the audit engagement partner attends the forthcoming AGM and is available to answer questions from shareholders relevant to the audit.
5.	**Make timely and balanced disclosure**	
5.1	A listed entity should (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	The Company has a continuous disclosure program in place designed to ensure the compliance with ASX Listing Rule disclosure and to ensure accountability at a senior executive level for compliance and factual presentation of the Company's financial position.
6.	**Respect the rights of shareholders**	
6.1	A listed entity should provide information about itself and its governance to investors via its website.	The Company maintains information in relation to governance documents, directors and senior executives. Board and committee charters, annual reports. ASX announcements and contact details on the company's website.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	The Company encourages shareholders to attend its AGM and to send in questions prior to the AGM so that they may be responded to during the meeting. It also encourages ad hoc enquiry via email which are responded to and actively uses social media to engage with shareholders.
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Refer to commentary at Recommendation 6.2
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	The Company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Computershare Australia at www.computershare.com/au.

ADDITIONAL ASX INFORMATION - CONTINUED

	Principles and recommendations	Comment
7.	**Recognise and manage risk**	
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (l) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	The Company has established an Audit & Risk Committee. The Company's Corporate Governance Plan includes an Audit & Risk Committee Charter, which discloses the specific responsibilities of the committee. Refer to the Company's Annual Report for further details regarding the Audit & Risk Committee.
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	The Company's Corporate Governance Plan includes a risk management policy. The Company maintains a risk register as part of its risk management strategy which is periodically updated and subject to scrutiny by the Audit & Risk Committee. The Audit & Risk Committee receives the report from the Company's external auditors which includes an assessment of internal controls. In the event that weaknesses in internal control processes are identified these matters are brought to the attention of and dealt with by the Board.
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	The Company is currently not in compliance with this recommendation as it does not maintain a separate internal audit function as the Board considers the Company is not currently of the relevant size or complexity to warrant the formation of a formal internal audit function. The Board, as a whole, evaluates and continually strives for improvement in the effectiveness of risk management and internal control processes. The Audit and Risk Committee receives the report from the Company's external auditors which includes an assessment of internal controls. In the event that weaknesses in internal control processes are identified these matters are brought to the attention of and dealt with by the Board.
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Refer to the Company's Annual Report for disclosures relating to the company's material business risks. The Company does not currently have material exposure to any economic, environmental or social sustainability risks. Refer to commentary at Recommendations 7.1 and 7.2 for information on the company's risk management framework.

	Principles and recommendations	Comment
8.	Remunerate fairly and responsibly	
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive..	The Company has established a Remuneration Committee. The Company's Corporate Governance Plan includes a Remuneration Committee Charter, which discloses the specific responsibilities of the Remuneration Committee. Refer to the Company's Annual Report for further details regarding the Remuneration Committee.
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Refer to the Renumeration Committee report in the Company's Annual Report.
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it	Refer to the Renumeration Committee report in the Company's Annual Report.

ADDITIONAL ASX INFORMATION - CONTINUED

Board skills matrix

Michael Rawlinson	Peter Bilbe	Sandra Bates
B. Economics. Master of Science	B. Engineering Mining	B.Com & LLB
Investment banking	Mining Engineer	Corporate Law
Resources	Gold, Base Metals	Corporate Finance
Mining Finance	Operational experience	M&A
NED – LSE, ASX	NED - ASX	Resources focus
		NED – ASX, LSE, AIM

Paul Cronin - CEO	Sanela Karic	Julian Barnes
B.Com & MBA	LLB	BSC (Hons), PhD
Resource Finance	Bosnian Law	Geologist
CEO experience	corporate affairs	Exploration & development
M&A	M&A	Balkan experience
Exec & NED ASX, LSE, TSX	Human Resources	Project generation & DD
		NED – TSX, LSE, ASX

Shareholdings

At the time of publishing this Annual Report there is no on-market buy-back.

Substantial shareholdings

The Directors are aware of the Company's top 20 shareholders at 9 March 2021 as follows:

Rank	Name	Number of ordinary shares	Percentage of issued share capital
1	SANDFIRE RESOURCES LIMITED	33,613,556	16.08
2	CITICORP NOMINEES PTY LIMITED	24,018,720	11.49
3	DWELLSTONE LIMITED	14,351,132	6.87
4	MR MILOS BOSNJAKOVIC	14,300,000	6.84
5	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	14,013,190	6.71
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,212,786	6.32
7	GLAMOUR DIVISION PTY LTD <THE HAMMER A/C>	8,255,808	3.95
8	EUROCLEAR NOMINEES LIMITED <EOC01>	6,497,286	3.11
9	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,748,578	2.75
10	ABADI INVESTMENTS PTY LTD <VK & ML DATT SUPER A/C>	5,659,400	2.71
11	NATIONAL NOMINEES LIMITED	3,452,464	1.65
12	MR PAUL DAVID CRONIN	3,250,000	1.56
13	UBS NOMINEES PTY LTD	2,800,000	1.34
14	MR ALBERTO LAVANDEIRA ADAN	2,666,664	1.28
15	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	2,577,863	1.23
16	PERSHING NOMINEES LIMITED <PERNY>	1,952,993	0.94
17	BNP PARIBAS NOMS PTY LTD <DRP>	1,708,145	0.82
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,688,314	0.81
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,378,832	0.66
20	INTERACTIVE BROKERS CANADA INC	1,369,116	0.66
Totals: Top 20 holders		**162,514,847**	80.93%
Total Remaining Holders Balance		**46,469,030**	**19.07%**

As at 9 March 2021 the Directors are aware of six shareholders who held a substantial shareholding within the meaning of the Australian Corporations Act as outlined in the top 20 listing above. A person has a substantial holding if the total votes that they or their associates have relevant interests in is five per cent of more of the total number of votes.

Distribution of Ordinary Shares as at 9 March 2021

Range	Number of shareholders	Number of ordinary shares	Percentage of issued share capital
1 - 1,000	620	279,600	0.13
1,001 - 5,000	622	1,677,279	0.80
5,001 - 10,000	240	1,913,081	0.92
10,001 - 100,000	367	12,167,754	5.82
100,001 Over	113	192,946,163	92.33
Total	**1,962**	**208,983,877**	**100.00**

Unmarketable Parcels

	Minimum Parcel Size Shares	Number of shareholders	Total Shares
ASX Minimum trade parcel AUD$500.00 parcel at AUD$2.06per share	279,600	0.13	279,600

Substantial Option and Performance Rights Holders

There are no substantial options or performance rights holders other than those disclosed in the Remuneration Committee Report.

Restricted securities

There were no restricted securities or securities or subject to voluntary escrow as at 31 December 2020.

Tenement holdings

The Company's tenements at 9 March 2021 are set out in the table below. The Company holds a 100% interest in all concession agreements and licences via its wholly owned subsidiaries with the exception of the Raska (Suva Ruda) licence held by Deep Research d.o.o.. The Company has an option agreement to acquire 100% ownership of Deep Research d.o.o. but has no equity interest in that entity at present.

	Concession document	Registration number	License holder	Concession name	Area (Km^2)	Date granted	Expiry date
Bosnia and Herzegovina	Concession Agreement	No.:04-18-21389-1/13	Eatsern Mining d.o.o.	Veovaca1	1.08	12-Mar-2013	11-Mar-2038
				Veovaca 2	0.91	12-Mar-2013	11-Mar-2038
				Rupice-Jurasevac, Brestic	0.83	12-Mar-2013	13-Mar-2038
	Annex 3 - Area Extension	No.: 04-18-21389-3/18	Eatsern Mining d.o.o.	Rupice - Borovica	4.52	14-Nov-2018	13-Nov-2038
			Eatsern Mining d.o.o.	Veovaca - Orti - Seliste - Mekuse	1.32	14-Nov-2018	13-Nov-2038
	Annex 5 - Area Extension	No: 04-18-14461-1/20	Eatsern Mining d.o.o.	Barice - Smajlova Suma - Macak	19.45	03-Dec-2020	03-Dec-2050
			Eatsern Mining d.o.o.	Droskovac - Brezik	2.88	03-Dec-2020	03-Dec-2050
			Eatsern Mining d.o.o.	Borovica – Semizova Ponikva	9.91	03-Dec-2020	03-Dec-2050
Serbia	Exploration License	310-02-1721/2018-02	Ras Metals d.o.o.	Kizevak	1.84	03-Oct-2019	03-Oct-2022
	Exploration License	310-02-1722/2018-02	Ras Metals d.o.o.	Sastavci	1.44	12-Mar-2013	03-Oct-2022
	Exploration License	310-02-1114/2015-02	Taor d.o.o.	Kremice	8.54	21-Apr-2016	21-April-2022
	Exploration License	310-02-00060/2015-02	Deep Research d.o.o.	Raska (Suva Ruda)	87.17	28-Dec-2015	18-Feb-2022

ADDITIONAL ASX INFORMATION - CONTINUED

Chapters 6, 6A, 6B and 6C of the Corporations Act

As the company is incorporated in England and Wales, chapters 6, 6A, 6B and 6C of the Corporations Act dealing with the acquisition of shares (i.e. substantial holdings and takeovers) do not apply to the Company. In the United Kingdom, the City Code on Takeovers and Mergers (City Code) regulates takeovers and substantial shareholders and the Company is subject to the City Code.

Voting rights

The Company is incorporated under the legal jurisdiction of England and Wales. To enable the Company to have their securities cleared and settled electronically through CHESS, Depositary Instruments called CHESS Depositary Interests (CDIs) are issued. Each CDI represents one underlying ordinary share in the Company (Share). The main difference between holding CDIs and Shares is that CDI holders hold the beneficial ownership in the Shares instead of legal title. CHESS Depositary Nominees Pty Limited (CDN), a subsidiary of ASX, holds the legal title to the underlying Shares.

Pursuant to the ASX Settlement Operating Rules, CDI holders receive all of the economic benefits of actual ownership of the underlying Shares. CDIs are traded in a manner similar to shares of Australian companies listed on ASX.

CDIs will be held in uncertificated form and settled/transferred through CHESS. No share certificates will be issued to CDI holders. Each CDI is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

If holders of CDIs wish to attend and vote at the Company's general meetings, they will be able to do so. Under the ASX Listing Rules and the ASX Settlement Operating Rules, the Company as an issuer of CDIs must allow CDI holders to attend any meeting of the holders of Shares unless relevant English law at the time of the meeting prevents CDI holders from attending those meetings.

In order to vote at such meetings, CDI holders have the following options:

a) instructing CDN, as the legal owner, to vote the Shares underlying their CDIs in a particular manner. A voting instruction form will be sent to CDI holders with the notice of meeting or proxy statement for the meeting and this must be completed and returned to the Company's Share Registry prior to the meeting; or

b) informing the Company that they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to their Shares underlying the CDIs for the purposes of attending and voting at the general meeting; or

c) converting their CDIs into a holding of Shares and voting these at the meeting (however, if thereafter the former CDI holder wishes to sell their investment on ASX it would be necessary to convert the Shares back to CDIs). In order to vote in person, the conversion must be completed prior to the record date for the meeting. See above for further information regarding the conversion process.

As holders of CDIs will not appear on the Company's share register as the legal holders of the Shares, they will not be entitled to vote at Shareholder meetings unless one of the above steps is undertaken.

As each CDI represents one Share, a CDI Holder will be entitled to one vote for every CDI they hold.

Proxy forms, CDI voting instruction forms, and details of these alternatives will be included in each notice of meeting sent to CDI holders by the Company.

These voting rights exist only under the ASX Settlement Operating Rules, rather than under British Columbia Law. Since CDN is the legal holder of the applicable Shares and the holders of CDIs are not themselves the legal holder of their applicable Shares, the holders of CDIs do not have any directly enforceable rights under the Company's articles of association.

As holders of CDIs will not appear on our share register as the legal holders of shares of ordinary shares, they will not be entitled to vote at our shareholder meetings unless one of the above steps is undertaken.

COMPANY DIRECTORY

Board of Directors	Michael Rawlinson* (Chairman from 3 August 2020) Peter Bilbe* (Chairman until 3 August 2020) Paul Cronin (Managing Director and CEO) Julian Barnes* (Non-Executive Director) Sandra Bates* (Non-Executive Director) Sanela Karic* (Non-Executive Director) (from 3 August 2020) John Richards (Non-Executive Director) (resigned 8 July 2020)
Chief Financial Officer	Geoff Eyre
Company Secretary	Geoff Eyre, Gabriel Chiappini (joint secretaries)
Registered Office	Regent House, 65 Rodney Road, Cheltenham GL50 1HX +44 (0) 20 7993 0066
Australian Office	24 Outram Street, West Perth WA 6005 +61 417 717 480
Brokers	Canaccord Genuity Limited, 88 Wood Street, London EC2V 7QR RBC Europe Limited, 100 Bishopsgate, London EC2N 4AA Stifel Nicolaus Europe Limited, One Broadgate, London EC2M 2QS
Auditors	BDO LLP, 55 Baker Street, London W1U 7EU
Stock Exchange Listings	London Stock Exchange (Code: ADT1) Australian Securities Exchange (Code: ADT)
Share Registrars	Computershare UK: The Pavilions, Bridgwater Road, Bristol BS13 8AE +44 (0) 370 702 0003 Computershare Australia: Australia: Level 11, 172 St George's Terrace, Perth, WA 6000 +61 08 9323 2000
Country of Incorporation	England & Wales
Registered Number	10599833
Web site	www.adriaticmetals.com

* Determined by the Board to be independent in accordance with the UK Corporate Governance Code.

Designed by Presentation Graphics Design Ltd

NOTES

Adriatic Metals

Ground Floor, Regent House
65 Rodney Road
Cheltenham
GL50 1HX
United Kingdom

Tel: +44 (0) 207 993 0066

www.adriaticmetals.com