19 August 2021

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

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

DIRECTORS

Mr Michael Rawlinson
NON-EXECUTIVE CHAIRMAN

Mr Paul Cronin
MANAGING DIRECTOR & CEO

Mr Peter Bilbe
NON-EXECUTIVE DIRECTOR

Mr Julian Barnes
NON-EXECUTIVE DIRECTOR

Ms Sandra Bates
NON-EXECUTIVE DIRECTOR

Ms Sanela Karic
NON-EXECUTIVE DIRECTOR

adriaticmetals.com

VARES SILVER PROJECT DEFINITIVE FEASIBILITY STUDY

HIGHLIGHTS

- Improved DFS Economics from PFS

	2021 DFS	2020 PFS
Post-tax NPV_8	US$1,062 million	US$1,040 million
Post-tax IRR	134%	113%
Initial Capital Cost*	US$168 million	US$173 million
Payback period	0.7 years	1.2 years
AISC	US$7.3 / AgEq oz	US$9.7 / AgEq oz

**includes contingency*

- Simplified process design de-risks project execution:
  - Veovaca open pit removed from scope of study
  - Reduction of concentrate products from four to two; recovery of barite and sulphide (pyrite) concentrates deferred.
  - Veovaca open pit, barite recovery and sulphide (pyrite) recovery to be considered in a future development phase
- 48% of revenues from payable silver and gold
- Completion of 2021 DFS paves the way for Adriatic to be the first publicly listed mining company in Bosnia & Herzegovina
- Metallurgical and geo-metallurgical test work ongoing post-DFS, targeting continuing improvement in recoveries
- ESIA, concentrate offtake and project finance work streams well advanced and progressing in line with the Company's expectations
- The Company will host a 2021 DFS Webinar on Monday 23rd August, 2021. To register your attendance – https://www.adriaticmetals.com/content/?contentID=8238&strMode=preview

Adriatic Metals Plc (ASX:ADT, LSE:ADT1, OTCQX:ADMLF) ("Adriatic" or the "Company") is pleased to announce the outcome of the Definitive Feasibility Study for the Vares Silver Project in Bosnia & Herzegovina, which has been completed by a number of international consultants and coordinated by Ausenco Pty Ltd ("Ausenco").

This announcement has focused on the technical matters of the Vares Silver Project. In addition, a summary has been provided of the concurrent ESIA workstreams, which are nearing completion. A separate, detailed announcement will be made on the ESIA in due course.

Paul Cronin, Adriatic's Managing Director and CEO commented

"The completion of the 2021 DFS is a major milestone for the Company, and clearly demonstrates the exceptional potential of the Vares Silver Project. During the formulation of this study, we have significantly expanded our relationships with key suppliers in BiH and the region, as well as completing an Organisational Blueprint for human resource development and training, both of which are key requirements for our economic sustainability objectives.

Project delivery and execution risks have been substantially reduced through the simplification of the process flowsheet and Initial Capital Costs lowered against the backdrop of inflationary construction costs, whilst improving the overall Project economics.

In the design of this Project, environmental and economic sustainability have been at the core of our thinking, shaping the Project to ensure that its economic and environmental benefits extend well beyond the current mine life, and provide a perpetual benefit to our local community in Vares and indeed, to the BiH economy.

Our focus from this point is to finalise the Project financing, which is well advanced, and concurrently commence construction whilst continuing to look for marginal improvements in metallurgical recovery, capital and operating costs. Additionally, we have commenced a study to expand the renewable energy production we have at the Vares Processing Plant, and augment that capacity, to ensure that the Vares Silver Project reduces its carbon emissions significantly, soon after the commencement of commercial production.

As demonstrated in our recent exploration results, we are confident that we can expand the Resources and Reserves at the Vares Project and look forward to working with the Vares community for decades to come, jointly demonstrating the benefits of mining operations in a European context."

EXECUTIVE SUMMARY

Following the completion of the 2020 Pre-Feasibility Study ("2020 PFS"), an internal review was undertaken with Ausenco and the Company's team of Subject Matter Experts ("SMEs"), to determine options for further optimisation during the Definitive Feasibility Study ("2021 DFS").

The principal considerations at the outset of the 2021 DFS were as follows;

- Optimise the mine plan to maintain consistent high-grade feed for as long as possible
- Take into consideration the prevailing market conditions
- Maximise revenue received from concentrate sales
- Optimise operational efficiency and reduce costs
- Reduce potentially adverse environmental, social, and economic impacts
- Minimise project execution risks

These considerations generated the following operational changes:

Modified Underground Mine Plan

The 2021 DFS mine plan is focused on mining the high-grade sections of the Rupice deposit as early as possible and delivering consistent high-grade feed to the Vares Processing Plant for as long as possible. As a result, the mine plan was modified to accommodate new lower (ingress) and upper (egress) declines for optimised access, which also improves operational flexibility and safety.

The Ore Reserve tonnage of Rupice has decreased from 8.4 Mt to 7.3 Mt, while the Ore Reserve grade increased from 463g/t AgEq to 485g/t AgEq. This was due to the application of updated Net Smelter Return ("NSR") cut-offs by ore type determined during geo-metallurgical domaining and metallurgical testwork. The average dilution factor increased from 10% to 13%, taking into account the potential spalling of backfill from adjacent primary stopes when mining secondary stopes.

An additional third decline will be built, replacing the previously considered raisebore, dedicated solely for ventilation. Use of a ventilation decline rather than the vent-raisebore removes the risks associated in the near-surface ground conditions and provides an improved emergency egress. The third decline can also provide additional access for ore-haulage later in the mine life by relocating the ventilation fans.

Removal of Veovaca open pit from the mine plan

The Vares Processing Plant has been designed around the ore from the Rupice Underground Mine, as this is the highest value ore. Processing of ore from the Veovaca open pit, without modifying this process design, is anticipated to produce concentrates with marginal project economics. Further metallurgical test work and engineering will be undertaken to better understand how a higher value concentrate can be produced. Therefore, it was decided to defer the Veovaca open pit from the 2021 DFS mine plan until further work has been completed.

As the 2021 DFS does not include the mining of the Veovaca open pit, this reduces the tonnage of tailings that will require storage in the TSF by 1.91 Mt over life of mine. Additionally, mining the Veovaca open pit would have also required stripping waste rock to access the ore, which would also require a dump area with a capacity to store 8.64 Mt of waste rock. Total tailings and waste from mining Veovaca would have been 10.6 Mt.

Removal of the barite concentrate circuit

Market research conducted by an independent barite marketing expert concluded that, while the barite concentrate produced by the Vares Processing Plant had a suitable end-market, the current weak demand for and prices of barite and the high shipping rates negatively affected its contribution to the project. The price for barite is correlated in oil and gas exploration activity, due to its primary use as a drilling mud.

By not recovering the barite concentrate, reduces the project execution risk by removing 200kt of concentrate movement in the first year of Commercial Production and in excess of 1.1Mt over first 5 years.

Removal of the sulphide (pyrite) concentrate circuit

The sulphide (pyrite) concentrate was developed and introduced as a process to remove sulphide minerals from the barite concentrate to improve the quality of the barite. It was a preceding flotation stage to the barite flotation, and it followed the silver-lead and zinc flotation stages. The sulphide (pyrite) concentrate produced was found to contain reasonable quantities of gold and silver and the marketing team found potential buyers. Further validation of the detailed market during the 2021 DFS, resulted in a lack of confidence in the marketability of the sulphide (pyrite) concentrate. Therefore, the Company took the decision to remove the sulphide (pyrite) concentrate from the 2021 DFS taking into account that the barite was also not going to be included at this time.

Optimised comminution design

The process flow sheet was optimised with the introduction of a three-stage crushing plant processing ore for the Vares Processing Plant, as well as waste rock for aggregates for the backfill plant. This eliminated the need for the Semi-autogenous Grinding ("SAG") Mill in the Vares Processing Plant saving US$1.8 million and further reducing project execution risk.

This has contributed to a decrease in Initial Capital Costs of US$5 million.

Cumulative Impact

The cumulative impact of the principal design considerations used in the 2021 DFS are:

- To significantly de-risk project execution through simplifying the process flowsheet, with negligible impact on Project economics
- To simplify Project logistics considerations by removing 1.1 Mt of barite handling costs in the first five years
- The reduction of Initial Capital Costs of US$5 million to US$168 million, an improvement in NPV_8 of US$22 million to US$1,062 million and IRR from 113% to 134%
- The removal of 10.6 Mt in the tailings and waste rock associated with not mining the Veovaca open pit
- Comparatively low Green House Gas ("GHG") emissions on a per unit of metal recovered, relative to industry peers

HIGHLIGHTS OF PROJECT METRICS

Table 1: Key Metrics 2021 DFS vs 2020 PFS

KEY METRIC	UNIT	2021 DFS	2020 PFS
Post-tax NPV (8%)[1]	US$ million	1,062	1,040
Post-tax Internal Rate of Return[1]	%	134%	113%
Project Payback from First Production[1]	years	0.7	1.2
Initial Capital Costs	US$ million	168	173
Total Mined Tonnes to Plant	Mt	7.3	11.1
Life of Operation	years	10	14
Cash Cost[1,2]	US$/AgEq ounce	7.0	9.5
All-in Sustaining Cost (AISC) [1,3]	US$/AgEq ounce	7.3	9.7
Average Annual AgEq Production Years 1-5	koz/year	14,975	15,302
Underground Mining Costs (mined)	US$/t mined	24.1	27.6
Underground Mining Costs (milled)	US$/t milled	30.0	31.9
Processing Costs	US$/t milled	30.3	31.5
G&A Costs	US$/t milled	7.7	4.8
Refining & Freight Costs	US$/t milled	35.7	52.1
Revenue[1]	US$/t milled	376.9	296.1
Average Annual EBITDA Years 1-5[1]	US$ million	281.1	251.0
Profitability Index[1]	(Post-Tax NPV_8/CAPEX)	6.3	6.0

1. Silver Price US$25/oz, Zinc Price US$3,000/t, Lead Price US$2,300/t, Copper Price US$9,500/t, Gold Price US$1,800/oz, Antimony Price $2,300/t
2. Cash costs are inclusive of mining costs (US$/t milled), processing costs, site G&A, refining & freight and concession fees (3.90 BAM per mt of Run of Mine)
3. AISC are inclusive of cash costs plus sustaining capital, closure cost, salvage value

CONTEXT

The Vares Silver Project hosts two Mineral Resources; the Rupice underground deposit ("Rupice") and the Veovaca open pit deposit ("Veovaca"). The two deposits are located approximately 11 km apart. Veovaca was a previously operating open pit mine producing lead, zinc and barite concentrates that ceased operations in 1988. The potential economic viability of the Rupice deposit was only determined in 2017 after it was acquired by Adriatic Metals earlier the same year.

The 2021 DFS has only considered the Mineral Resources and Reserves of Rupice and the mine plan does not include mining of Veovaca at this time.

The Company completed a Scoping Study, coordinated by CSA Global, in September 2019 which showed the positive economic potential of the Vares Silver Project. The 2020 PFS, coordinated by Ausenco, was started in January 2020 and was released in October 2020. Once again, the project demonstrated very positive economic outcomes.

Following the completion of the 2020 PFS, an internal review was undertaken with Ausenco and the Company's team of SMEs, to determine options for further optimisation during the 2021 DFS.

The principal considerations at the outset of the 2021 DFS were as follows;

- Optimise the mine plan to maintain consistent high-grade feed for as long as possible
- Take into consideration the prevailing market conditions
- Maximise revenue received from concentrate sales
- Optimise operational efficiency and reduce costs
- Reduce potential adverse environmental, social and economic impacts
- Minimise project execution risks

In light of the principal considerations, the decision was taken to adjust the study scope to;

- Exclude mining of the Veovaca open pit
- Exclude the recovery of barite concentrate
- Exclude the recovery of sulphide (pyrite) concentrate

This is the basis on which the 2021 DFS was developed.

The 2021 DFS, coordinated by Ausenco, commenced in March 2021, with the following areas of responsibility split up among various other consultants. In addition, the Company's internal technical team provided support across many of the areas of responsibility.

Table 2: Breakdown of consultant responsibilities in 2021 DFS

CONSULTANT	AREA OF RESPONSIBILITY
Ausenco	Vares Processing Plant site
Ausenco	Rupice Surface Infrastructure site
Mining Plus	Rupice Underground Mine planning
Paterson and Cooke	Backfill Plant testwork and design
Wardell Armstrong International	Metallurgical testwork[1]
Wardell Armstrong International	Tailings Storage Facility and project-wide water balance
Avocageotec	Mine Geotechnical
Bluequest Resources	Concentrate offtake, marketing and logistics
Various local institutes / consultants	Power supply, haul-road, railway siding upgrade, firewater reticulation and water supply

1. Under the direction of the Company's metallurgical SMEs

Detailed Scopes of Work, Bills of Materials and specifications were produced, from which requests for proposals ("RFPs") were tendered to multiple contractors and suppliers. All proposals received were technically and financially assessed, with the pricing subsequently used in the cost model taken from the selected preferred bidder. This ensured that the cost of each work package was supported with a realistic bid.

With the assistance of Bluequest Resources, a tender process was initiated for the offtake of the two concentrate streams. The submitted proposals from the potential off-takers went through multiple rounds of negotiations, which formed the baseline assumptions for the concentrate terms, treatment and refining charges, and payabilities.

LOCATION

The Vares Silver Project consists of 41km^2 of concession area, which is centred around the town of Vares. The town is located in the Vares municipality of the Zenica-Doboj Canton in Bosnia and Herzegovina and is a 50-minute drive from Sarajevo, the capital of Bosnia and Herzegovina. See Figure 1.

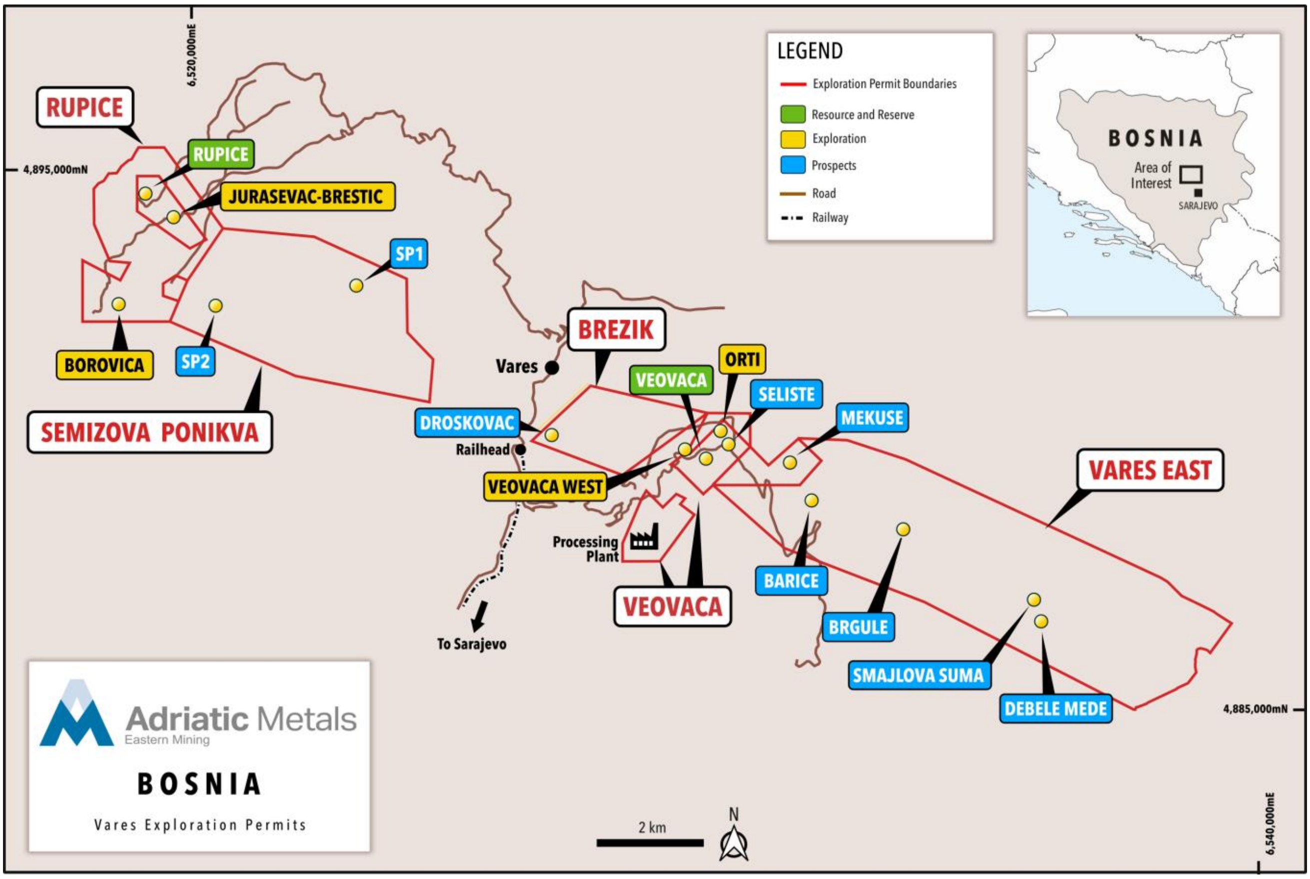
Figure 1: Regional map of Bosnia and Herzegovina showing Vares and major infrastructure

The Vares Processing Plant will be built on the site of the previously operated processing plant that treated ore from the historical Veovaca open pit. It is situated within a mountainous region with widespread forests and meadows. Access to the Vares Processing Plant area, which is adjacent to the village of Tisovci, is via 7 km of well-maintained sealed roads from the town of Vares.

Vares has a humid continental climate with warm rainy summers and occasional harsh winters. The average temperature ranges between 17.5°C in July to -3°C in January and annual rainfall is approximately 1,088 mm.

The Rupice Underground Mine, which is beneath the Rupice Surface Infrastructure site, is situated in the northwest corner of the Vares Concession Area as shown in Figure 2. It will be connected to the Vares Processing Plant via a 24.5 km haul-road. The Rupice Surface Infrastructure site is a greenfield site that is on the southern side of the Vruci Potok valley, which was re-classified to industrial land in 2021.

Figure 2: Vares Project Permitted Concession Area



Historic mine workings are present throughout and surrounding the Vares Silver Project concession area, consisting of large formerly operated open pit mines and several exploration adits.

A national electricity grid is operated and maintained by the State company, JP Elektroprivreda BiH. Powerlines run to the Tisovci village, which supplied the former operations and will supply the Vares Processing Plant once upgraded. A new powerline will be installed to deliver electricity to the Rupice Surface Infrastructure from a regional sub-station at Vares Majdan. A rail link exists from Vares, connecting it to the port of Ploce in Croatia.

Potable water is supplied to all surrounding villages and the Vares Process Plant site. It is maintained by JKP Vares d.o.o., a public company owned and operated by the Vares Municipality. Water supply for processing requirements will come from the municipal pipeline as it did for the previous operations. For the Rupice Surface Infrastructure and Rupice Underground Mine operations, water will come from another JKP Vares d.o.o. operation near the village of Pogar that formerly supplied water to the town of Vares. A new pump and pipeline will be installed to Rupice.

Table 3: Project Overview

Mining	Ore Reserve	7.3 Mt at 485g/t AgEq
	Mining Rate	800,000 tonnes / year
	Life of Mine	10 years
	Mining Method	Transverse Longhole Open Stoping and Longitudinal Longhole Open Stoping
	Operations	Contractor Mining
	Head Grades (UG)	Ag 202g/t, Zn 5.7%, Pb 3.6%, Au 1.9g/t, Cu 0.6%, Sb 0.2%
Infrastructure	Roads	24.5 km of haul road (which includes 9 km of existing road) will be constructed by the Vares Municipality with funding and oversight of construction provided by the Company
	Tailings Storage Facility	Dry stacked filtered tailings adjacent to the Vares Processing Plant
	Water	Existing reticulated supply to Vares Processing Plant, plus supply from a nearby stream that used to supply Vares town to Rupice Surface Infrastructure
	Power	Rupice Surface Infrastructure: 6.5 MW average load to be provided by JP Elektroprivreda BiH, plus a 1 MW emergency diesel generator. Vares Processing Plant: 10.0 MW average load to be provided by JP Elektroprivreda BiH
Marketing & Logistics	Logistics	Containerised rail transport from Vares to the port of Ploce and sea freight to end user

CAPITAL AND OPERATING COST ESTIMATE

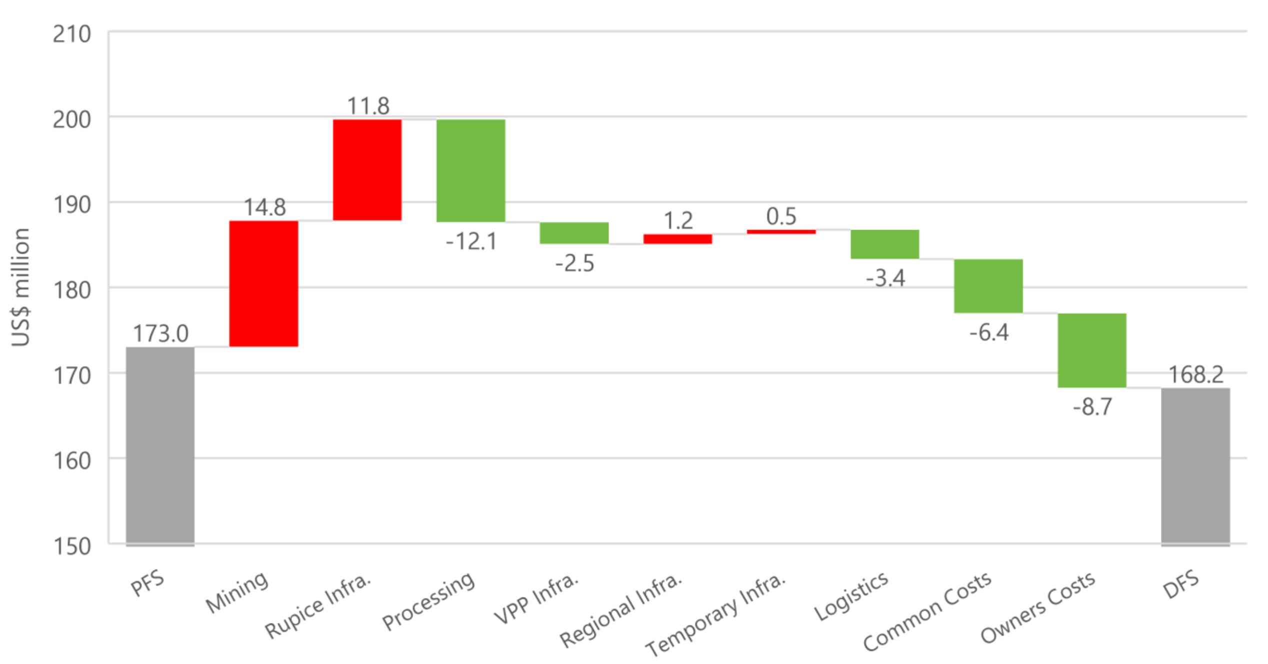
The capital and operating cost estimates were compiled by Ausenco with inputs from other engineering consultants and the Company. All estimates have been prepared using estimated quantities and quoted unit costs. The Initial Capital Costs and Life of Mine ("LOM") capital costs are summarised in the Tables 4 and 5 below.

The underground mining costs increased due to the re-classification of operating costs to capital expenditure, reflecting an advancement in the timing of that expenditure. In addition, the optimisation of the crushing plant and expanded footprint at the Rupice Surface Infrastructure, to accommodate larger stockpiles, resulted in an increase in the volume of earthworks in comparison to the 2020 PFS. These increases in capital expenditure are largely offset by savings from the exclusion of the barite and sulphide (pyrite) circuits in the Vares Processing Plant. Including the other items noted below, the net reduction in Initial Capital Cost is US$5 million from the 2020 PFS estimate to US$168 million.

Table 4: Initial Capital Cost Estimate

INITIAL CAPITAL COST ESTIMATE (US$ million)	2021 DFS	2020 PFS	% CHANGE
Rupice Underground Mining	21.1	6.3	235%
Rupice Surface Site Infrastructure	35.8	24.0	49%
Minerals Processing	46.1	58.1	-21%
Vares Processing Plant Site Infrastructure	6.4	8.9	-28%
Regional Infrastructure and Utilities	5.7	4.5	26%
Temporary Infrastructure Construction	5.8	5.3	10%
Product Handling and Logistics	0.0	3.4	-100%
Common Costs and Services	0.8	7.2	-89%
Owners Costs	46.6	55.3	-16%
Total	**168.2**	**173.0**	**-3%**

Chart 1: Changes in Initial Capital Cost Estimate from 2020 PFS to 2021 DFS (US$ million)



Summary of Changes in Initial Capital Costs

Mining

- The total increase in mining costs is the result of the reassignment of costs previously included as operating costs in the 2020 PFS, to Initial Capital Costs to reflect the early mining activities

Rupice Infrastructure

- Upgrading the crushing plant to three-stage crushing, reallocated US$1.8 million in costs from the Vares Processing Plant
- Additional earthworks (from 0.45M cubic metre to 1.8M cubic metre) required for the larger stockpile area and associated infrastructure, increased costs by US$6.8 million
- More accurate pricing in haul road costs accounted for an increase of US$2.7 million

- The addition of shotcrete batching and mixing to the backfill plant (US$0.9 million) as well as heating added for water and aggregate, increased costs by US$1.1 million

Processing

- The upgrading of the crushing plant at Rupice Surface Infrastructure negated the need for a SAG mill at the Vares Processing Plant, saving US$1.8 million
- The removal of the processing equipment associated with the barite and pyrite circuits saved US$6.1 million, as well as associated building and concrete costs (US$2.0 million)

Regional Infrastructure

- There was a saving of US$4.5 million as the haul road was recategorised to the main earthworks (Rupice Surface Infrastructure)
- Additional costs of US$5.7 million for electrical connection costs, most of which is additional, as supply company now requires payment for new line, in addition to a connection fee.

Logistics

- The 2020 PFS assumed US$3.4 million in improvement costs at Ploce port, Croatia, which are not required

Common Costs

- Significant savings in freight (US$4.2 million) due to reduction in equipment used for barite and pyrite concentrate, as well as associated specialist consultants and vendor costs (US$2.2 million)

Owners Costs

- Saving of US$8.7 million in Engineering Procurement and Construction Management ("EPCM") costs, Owner's costs and contingency and some re-assignment of capital costs to other cost categories

In addition to the changes in the Initial Capital Cost estimates as provided above, sustaining capital increased by US$13 million due to the increased size of the stockpile terrace, backfill plant replacement pumps and additional pipe reticulation. Rehabilitation and closure costs reduced, reflecting savings arising from not mining Veovaca.

Table 5: LOM Capital Cost Estimate

LOM CAPITAL COST ESTIMATE (US$ million)	2021 DFS	2020 PFS	% CHANGE
Initial Capital Cost	168	173	-3%
Sustaining Capital	32	19	+68%
Rehabilitation and Closure	12	19	-37%
Salvage Value	(16)	(6)	-167%

Table 6: LOM Average Operating Costs

METRIC	UNIT	2021 DFS	2020 PFS
Mining Cost[1]	US$/t mined	24.1	14.0
Underground Mining Cost *(mining)*	US$/t mined	24.1	27.6
Open Pit Mining Cost *(mining)*	US$/t mined	*n/a*	2.7
Mining Cost[1]	US$/t milled	30.0	26.5
Underground Mining Cost *(milling)*	US$/t milled	30.0	31.9
Open Pit Mining Cost *(milling)*	US$/t milled	*n/a*	9.4
Processing Cost	US$/t milled	30.3	31.5
G&A Cost	US$/t milled	7.7	4.8
Operating Costs[2]	US$/t milled	68.0	62.8
Operating Costs[2]	US$/ AgEq oz	4.5	5.1
Refining & Freight Cost	US$/t milled	35.7	52.1
Refining & Freight Cost	US$/ AgEq oz	2.4	4.2
Cash Cost[3]	US$/ AgEq oz	7.0	9.5
All-in Sustaining Cost[4]	US$/AgEq oz	7.3	9.7

1. Blended mining cost – only relevant to the 2020 PFS as it included both open pit and underground mining
2. Operating costs are inclusive of (blended[1]) mining costs (US$/t milled), processing costs and site G&A
3. Cash costs are inclusive of operating costs, refining, freight and concession fees (3.90 BAM per mt of Run of Mine)
4. AISC are inclusive of cash costs plus sustaining capital, closure cost, salvage value

Errors may occur due to rounding

FINANCIAL ANALYSIS

Table 7: LOM annual average feed grade and tonnes processed by the Vares Processing Plant

		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Tonnes	kt	638	800	800	800	802	800	794	775	769	260	56
Feed Grade												
Silver	g/t	340	242	199	204	231	240	182	127	110	98	186
Zinc	%	6.6%	9.0%	9.5%	8.7%	5.4%	5.9%	3.7%	2.6%	1.8%	1.3%	1.4%
Lead	%	4.4%	5.4%	5.7%	5.0%	3.3%	3.7%	2.6%	1.9%	1.3%	1.0%	1.6%
Copper	%	0.7%	1.0%	1.1%	0.9%	0.6%	0.5%	0.4%	0.3%	0.3%	0.3%	0.4%
Gold	g/t	2.8	2.5	2.1	2.3	2.3	2.2	1.6	1.0	0.7	0.6	0.9
Barite	%	42%	35%	30%	34%	37%	37%	30%	23%	23%	26%	57%
Antimony	%	0.2%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%

Chart 2: Revenue split by metal over LoM

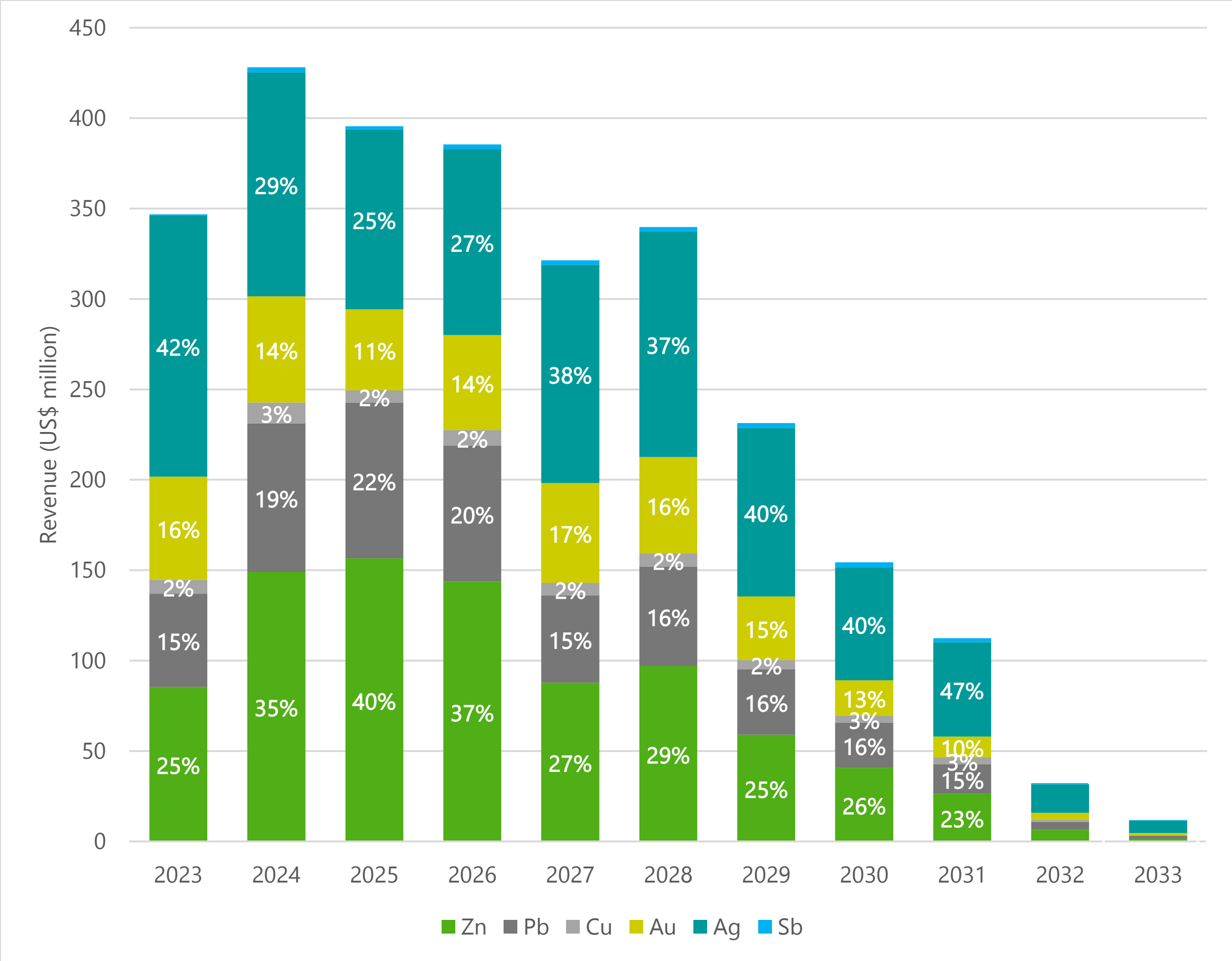


Chart 3: LOM average revenue split by commodity

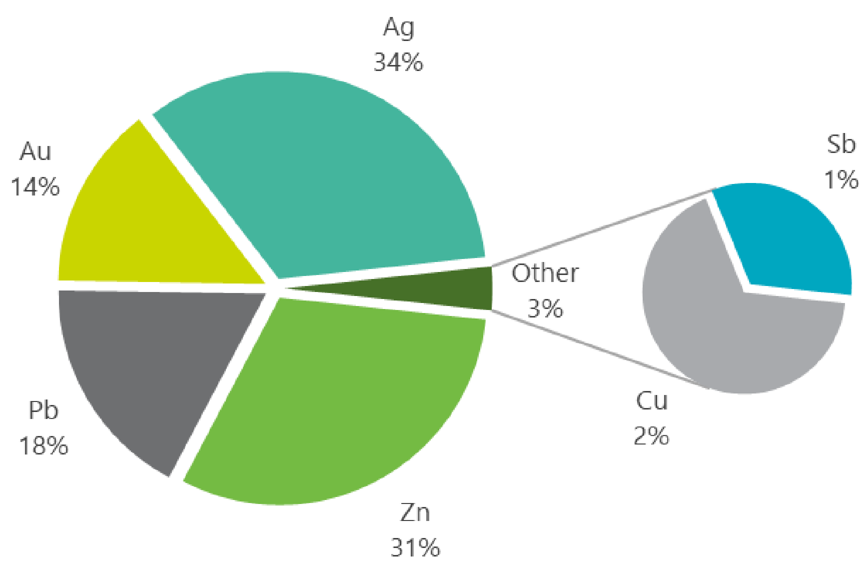


Chart 4: Cumulative post-tax free cashflow over LOM

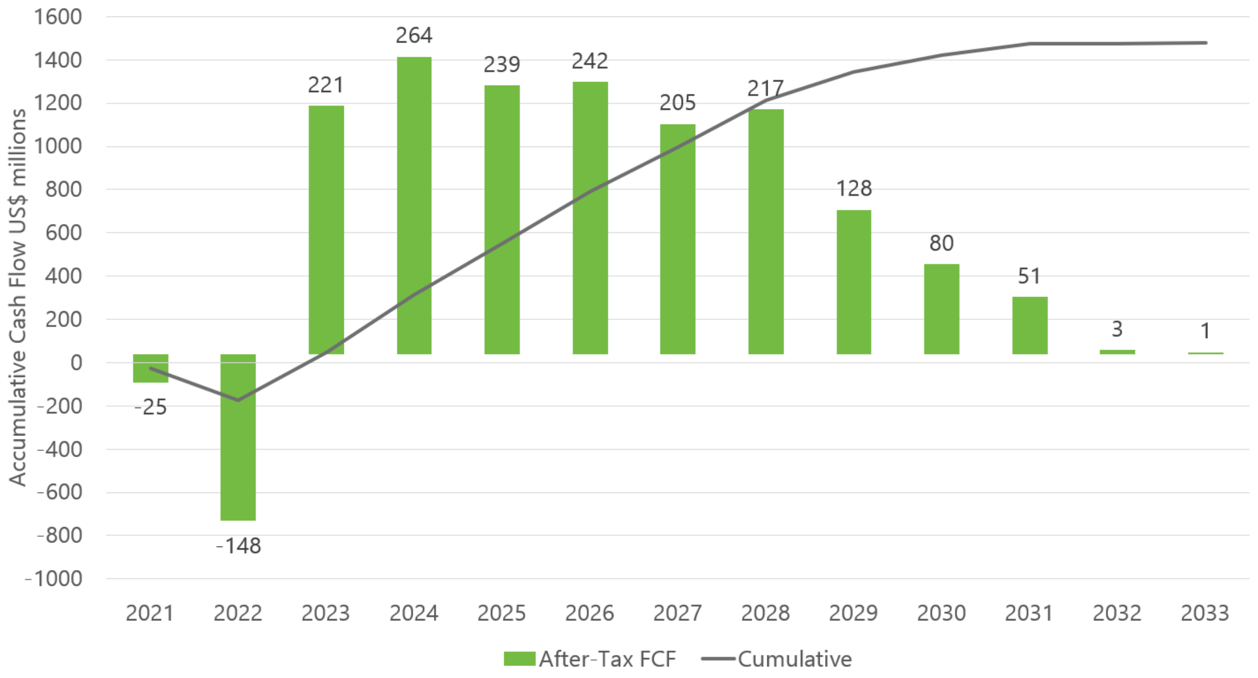
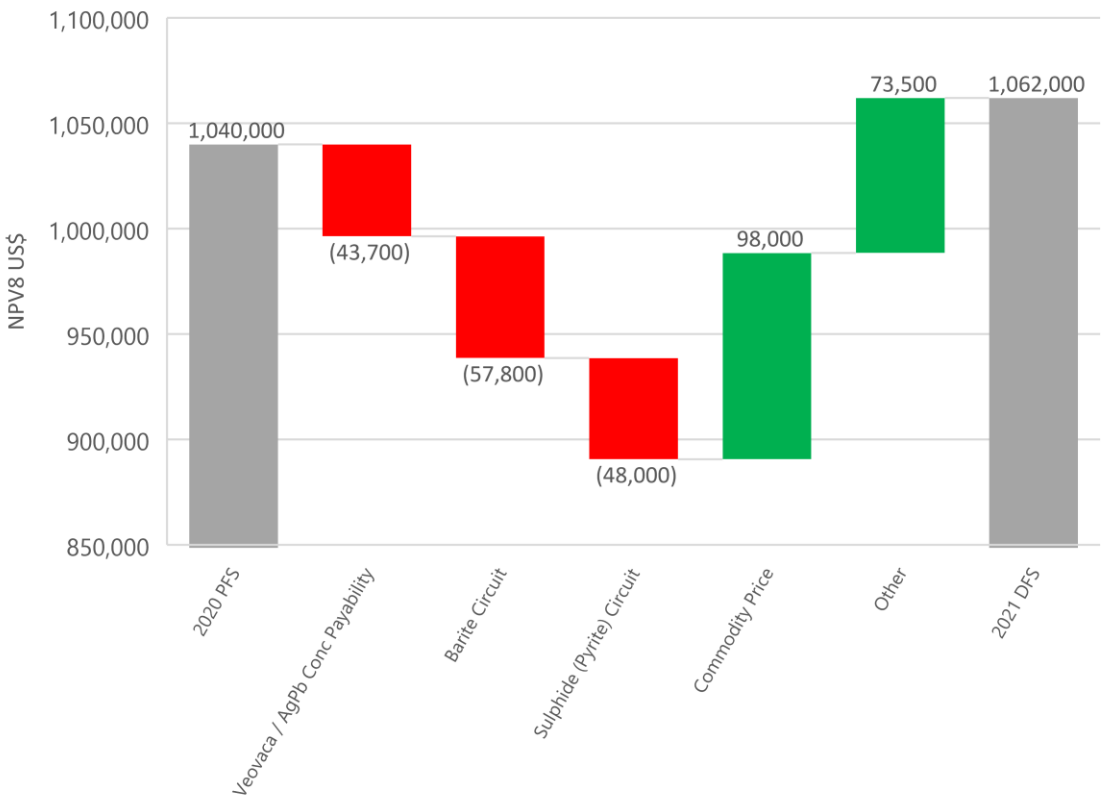


Chart 5: Waterfall of major changes to the NPV from the 2020 PFS



Note: Changes in the waterfall are subject to historical cost allocations that are not directly comparable to this study and should be used as a guide only.

Table 8: Key financial assumptions

Metric	Unit	2021 DFS	2020 PFS
Exchange Rate	BAM/US$	1.60	1.75
Silver Price	US$/oz	25	24
Zinc Price	US$/tonne	3,000	2,500
Lead Price	US$/tonne	2,300	2,000
Copper Price	US$/tonne	9,500	6,500
Gold Price	US$/oz	1,800	1,900
Antimony Price	US$/tonne	2,300	6,500
Barite Price	US$/tonne	n/a	150

SENSITIVITY ANALYSIS

Table 9: Sensitivity table of Post-Tax NPV 8% (US$ million) to inputs

	Sensitivity Table Post-Tax NPV 8% (US$ million)				
	(20.0%)	(10.0%)	--	10.0%	20.0%
Metals Price (+/-%)	$724	$893	$1,062	$1,230	$1,399
Operating Cost (+/-%)	$1,121	$1,091	$1,062	$1,032	$1,003
Initial Capital Cost (+/-%)	$1,091	$1,076	$1,062	$1,047	$1,033
Head Grade (+/-%)	$726	$891	$1,062	$1,231	$1,400

Chart 6: Sensitivity chart of Post-Tax NPV 8% (US$ million) to inputs

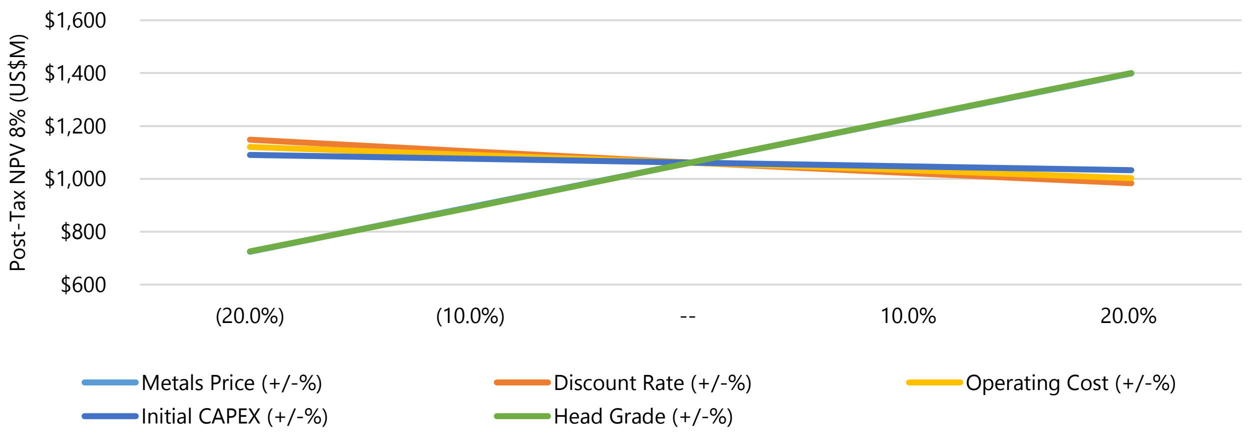


Table 10: Sensitivity table of Post-Tax IRR 8% (%) to inputs

	Sensitivity Table Post-Tax NPV 8% (US$ million)				
	(20.0%)	(10.0%)	--	10.0%	20.0%
Metals Price (+/-%)	99.8%	117.4%	134.4%	151.1%	167.3%
Operating Cost (+/-%)	141.4%	137.9%	134.4%	131.0%	127.6%
Initial Capital Cost (+/-%)	162.1%	147.0%	134.4%	123.8%	114.7%
Head Grade (+/-%)	100.1%	117.3%	134.4%	151.2%	167.7%

Chart 7: Sensitivity chart of Post-Tax IRR 8% (%) to inputs

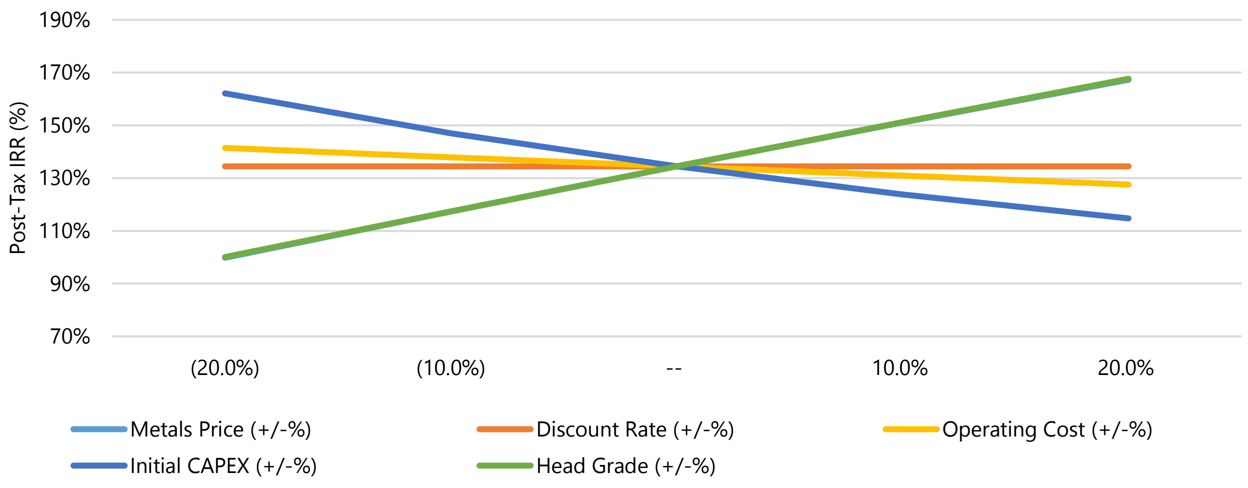


Table 11: Sensitivity table of Post-Tax NPV8 (US$ million) & IRR (%) to silver and zinc metal price inputs

Sensitivity Summary Post-Tax NPV_8 (US$ million) & IRR (%)						
		-$10/oz Ag or -$400/t Zn	-$5/oz Ag or -$200/t Zn	--	+$5/oz Ag or +$200/t Zn	+$10/oz Ag or +$400/t Zn
Silver Metal Price Change (US$/oz)	NPV_8	$823	$937	$1,062	$1,188	$1,301
	IRR	109%	121%	134%	147%	159%
Zinc Metal Price Change (US$/t)	NPV_8	$991	$1,026	$1,062	$1,097	$1,132
	IRR	128%	131%	134%	138%	141%

MINERAL RESOURCES

The JORC compliant Mineral Resource Estimate for the Vares Silver Project is 19.4 Mt. The Rupice Mineral Resource Estimate was updated in August 2020 by CSA Global of Perth and comprised of 12.0 Mt Indicated and Inferred Resources at 149g/t Ag, 1.4g/t Au, 4.1% Zn and 2.6% Pb, as set out in Table 12. This estimate remains unchanged for the DFS.

Table 12: Rupice Mineral Resource Estimate by Classification

Rupice Mineral Resources, August 2020																			
		Grades									Contained Metal								
Class.	(Mt)	AgEq (g/t)	ZnEq (%)	Ag (g/t)	Zn (%)	Pb (%)	Cu (%)	Au (g/t)	$BaSO_4$ (%)	Sb (%)	AgEq (Moz)	ZnEq (kt)	Ag (Moz)	Zn (kt)	Pb (kt)	Cu (kt)	Au (koz)	$BaSO_4$ (kt)	Sb (kt)
Ind.	**9.5**	450	18.6	176	4.9	3.1	0.5	1.6	29	0.2	137	1,319	54	465	294	52	500	2,730	21
Inf.	**2.5**	111	4.6	49	0.9	0.7	0.2	0.3	9	0.1	9	86	4	23	18	4	27	218	3
Total	**12.0**	387	16.1	149	4.1	2.6	0.5	1.4	25	0.2	149	1433	58	488	312	56	526	2,948	24

Table 13: Veovaca Mineral Resource Estimate by Classification

Veovaca Mineral Resources, July 2019															
		Grades							Contained Metal						
Class.	(Mt)	AgEq (g/t)	ZnEq (%)	Ag (g/t)	Zn (%)	Pb (%)	Au (g/t)	$BaSO_4$ (%)	AgEq (Moz)	ZnEq (kt)	Ag (Moz)	Zn (kt)	Pb (kt)	Au (koz)	$BaSO_4$ (kt)
Ind.	**5.3**	225	4.3	50	1.6	1.0	0.1	16	38	230	9	83	55	14	860
Inf.	**2.1**	116	2.2	17	1.1	0.5	0.1	6	8	47	1	23	11	4	123
Total	**7.4**	193	3.7	41	1.4	0.9	0.1	13	46	275	10	106	66	18	984

Combined Notes:

- Mineral Resources are based on JORC Code definitions
- It is the opinion of Adriatic Metals and the Competent Person that all elements and products included in the metal equivalent formula have a reasonable potential to be recovered and sold
- Rows and columns may not add up exactly due to rounding
- Ind. = Indicated
- Inf. = Inferred

Rupice Notes:

- A cut-off grade of 50g/t silver equivalent has been applied
- AgEq – Silver equivalent was calculated using conversion factors of 32.4 for Zn, 25.9 for Pb, 79.2 for Au, 1.9 for $BaSO_4$, 84.2 for Cu and 84.2 for Sb. 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, $24/oz for Ag, $6,500/t for Sb and $6,500 for Cu. ZnEq – zinc equivalent is calculated using AgEq*1/31.1
- Metal recoveries and payabilities from the PFS have been applied
- The applied formula was: AgEq = Ag(g/t) * 92% * 86% + 32.4 * Zn(%) * 97% * 71% + 25.9 * Pb(%) * 93% * 84% + 1.9 * $BaSO_4$(%) * 58% * 99% + 79.2 * Au(g/t) * 70% * 76% + 84.2 * Sb(%) * 96% * 17% + 84.2 * Cu(%) * 97% * 82%
- 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

Veovaca Notes:

- A cut-off grade of 0.6% ZnEq has been applied
- Metallurgical recoveries of 90% have been applied in the metal equivalent formula based on recent and ongoing test work results
- 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. AgEq – silver equivalent is calculated using ZnEq*1/51.84
- 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%
- 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

MINING

The 2021 DFS mine plan was produced by Mining Plus, with input provided by Paterson and Cooke on the backfill.

Major Changes to the Mine Plan from the 2020 PFS

Modified Underground Mine Plan

The 2021 DFS mine plan is focused on mining the high-grade sections of the Rupice deposit as early as possible and providing consistent high-grade feed to the Vares Processing Plant for as long as possible. As a result, the previous mine plan was modified to accommodate a new lower (ingress) and upper (egress) declines for optimised access, which also improves operational flexibility and safety.

The Ore Reserve tonnes of Rupice have decreased from 8.4 Mt to 7.3 Mt, while the new Ore Reserve grade increased from 463g/t AgEq to 485g/t AgEq. This was due to the application of updated NSR cut-offs by ore type determined during geo-metallurgical domaining and metallurgical testwork. The average dilution factor increased from 10% to 13%, taking into account the potential spalling of backfill from adjacent primary stopes when mining secondary stopes.

An additional third decline will be built, replacing the previously considered raisebore, dedicated solely for ventilation. Use of a ventilation decline rather than the vent-raisebore removes the risks associated in the near-surface ground conditions and provides an improved emergency egress. The third decline can also provide additional access for ore-haulage later in the mine life by relocating the ventilation fans.

Removal of Veovaca open pit from the mine plan

The Vares Processing Plant has been designed around the ore from the Rupice Underground Mine, as this is the highest value ore. Processing of ore from the Veovaca open pit, without modifying this process design, is anticipated to produce concentrates with marginal project economics. Further metallurgical test work and engineering will be undertaken to better understand how a higher value concentrate can be produced. Therefore, it was decided to defer the Veovaca open pit from the 2021 DFS mine plan.

Ore Reserves

The Ore Reserve Estimate was prepared by Mining Plus and comprises Probable Reserves as shown in table 14 below:

Table 14: Vares Silver Project Ore Reserve Estimate

Vares Silver Project Ore Reserve Estimate, August 2021										
Deposit	JORC Class.	Ore	AgEq	ZnEq	Ag	Zn	Pb	Au	Cu	Sb
		Mt	g/t	%	g/t	%	%	g/t	%	%
Rupice	Probable	7.3	485	13	202	5.7	3.6	1.9	0.6	0.23

Notes:

- Mineral Resources are based on JORC Code definitions
- 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
- Rows and columns may not add up exactly due to rounding
- DFS metal prices, payabilities and recoveries have been applied
- AgEq – Silver equivalent was calculated using conversion factors of 37.31 for Zn, 28.6 for Pb, 72.0 for Au, 118.2 for Cu and 118.2 for Sb
- The applied formula was: AgEq = Ag(g/t) * 89% * 88% + 37.3 * Zn(%) * 91% * 75% + 28.6 * Pb(%) * 92% * 87% + 72.0 * Au(g/t) * 64% * 77% + 118.2 * Sb(%) * 95% * 84% + 118.2 * Cu(%) * 94% * 16%
- ZnEq – zinc equivalent is calculated using AgEq * 1/31.1

The Ore Reserves for the Vares Silver Project deposits have been estimated in accordance with the JORC Code. The Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves. The JORC Code defines an Ore Reserve as: "*An 'Ore Reserve' is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified.*" The Ore Reserve assumes a direct conversion between Indicated Mineral Resources and Probable Ore Reserves.

Mining Production Rate

The Rupice Underground Mine production rate is designed to match the nameplate capacity of the Vares Processing Plant at 800,000 tonnes per annum.

Stope development of the Rupice Underground Mine will start eight months prior to commissioning of the Vares Processing Plant. This will ensure sufficient ore is available in the surface stockpiles at the Rupice Surface Infrastructure for consistent and optimal grade of feed to the Vares Processing Plant during commissioning and ramp-up. This provides considerable versatility and reduced risk during commissioning and early operations. Starting commissioning on ore other than high grade is preferable and as operations ramp-up so it will be possible to increase the feed grade as confidence builds and plant operating stability is achieved. At the time of starting commissioning there will be approximately 210,000 tonnes of high-grade ore, 190,000 tonnes of medium-grade and 26,000 tonnes of low-grade ore – in total about six months at full production. During the mine life, sufficient ore is produced to maintain the Vares Processing Plant production rate, with excess lower-grade ore being stockpiled for treatment later in the mine life. During the later stages of the mine life, the underground production rate drops off due to reduced stoping areas being available and the cyclic nature of the cut-and-fill mining methods.

Mining Method

Access to the underground workings will be via two declines developed from the surface accessing the orebody via further development of ramps, level access drives and footwall drives. All the development access will be suitable for trackless equipment.

The underground stoping will be divided into two main mining method zones as follows and as shown in in the mine plan in Figure 3:

- Transverse Longhole Open Stoping zone ("TLOS")
- Longitudinal Longhole Open Stoping zone ("LLOS")

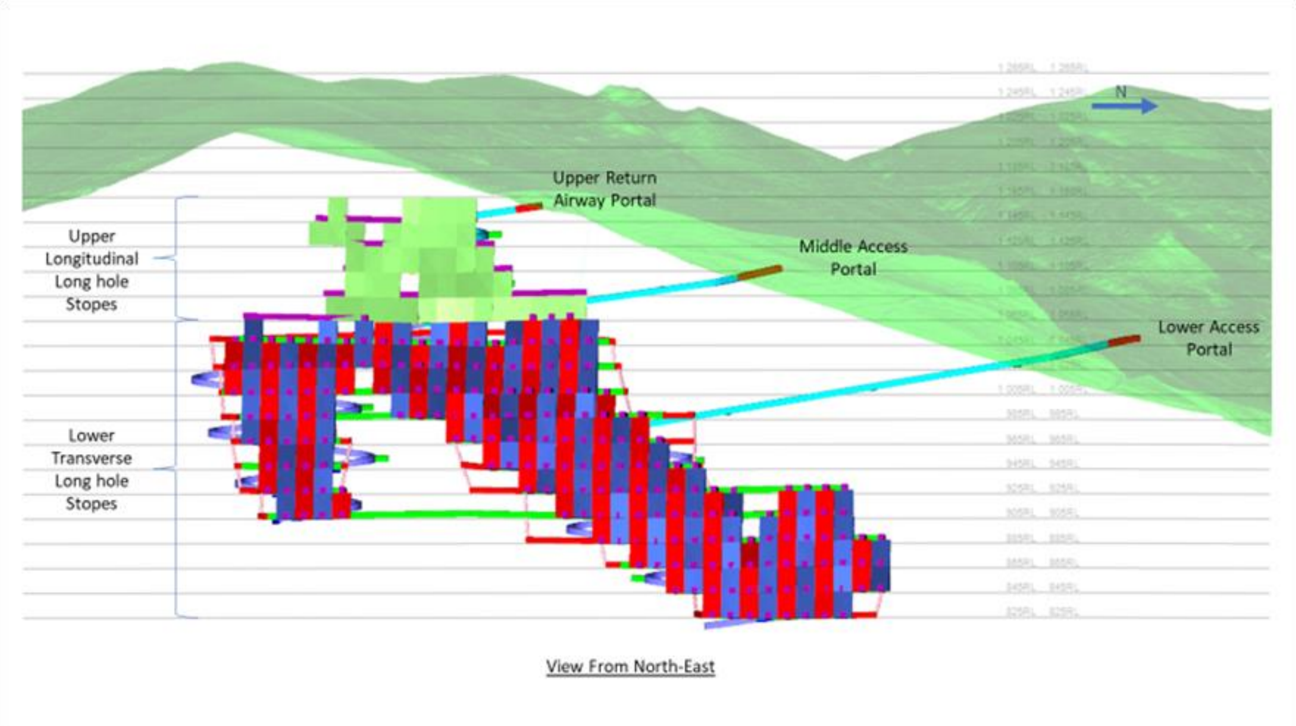
The TLOS zone will be below the 1,065 level and the LLOS zone will be from and above the 1,065 level.

TLOS will be used in areas where the ore zone thickness is greater than 20 m. Stopes will be oriented in a transverse fashion with stope access drives orientated from the footwall towards the hanging wall, perpendicular to the general orebody strike.

LLOS will be used in areas where the ore zone thickness is less than 20 m. Stopes will be oriented in a longitudinal fashion along a strike drive.

Primary stopes represent the initial phase of production mining within the TLOS section of the mine. Primary stopes are mined in a "chequerboard" fashion on each level, with temporary pillars left between the primary stopes. The primary stopes are then backfilled with either Cemented Aggregate Fill or Paste Aggregate Fill, or a combination of both. Once the fill has cured, the temporary pillars between the primary stopes can then be mined out. These pillars are known as secondary stopes.

Figure 3: Rupice Underground Mine design (view from the northeast) showing the two mining method zones



The mining recovery for Rupice is 95% with and average underground dilution factor is 13%. NSR calculations were performed and incorporated in the block model and were the basis for determination of ore and waste classification.

Mine Design

The primary access to the underground workings will be via two separate access declines developed from surface. A third, primary main return airway decline has replaced the previously proposed return air raise-bore shaft.

Following the excavation of the box cuts and installation of appropriate portal support systems, the declines will be developed with dimensions of 5.5 m wide X 5.5 m high. The main return airway and middle access decline will be developed at a maximum gradient of 14 % (1 in 7) while the lower access decline will be developed at a maximum gradient of 16 % (1 in 6). The lower access decline will serve as the main ingress route into the mine while the middle decline will serve as the main egress, hence allowing for dedicated traffic in one direction with minimal disruption to the hauling operations. The additional benefit of the lower decline is that it enables rapid access to a high-grade zone of the orebody early in the mine life. The remaining ramps going up and down from the different underground access positions are all developed at the 1:7 inclination. All decline ramps have been positioned to minimise development required to access the initial high-grade stoping areas and to provide the shortest distances to the centre of mass of each of the major stoping areas.

The declines will be developed in a “figure of 8” geometry to allow for better visibility, aid driver fatigue associated with turning in only one direction, reduce vehicle wear and to gradually follow the higher-grade zones along the strike of the orebody.

Secondary development will consist of level access drives that are driven to connect the ramps with the footwall drives on each sub-level. The footwall drives are designed with a minimum stand-off of 25 m from the orebody and will have dimensions of 5.0 m wide X 5.5 m high.

The sub-levels will be spaced at 20 m vertical intervals. The lower 12 sub-levels will serve as access to transverse longitudinal stopes while the upper five sub-levels will be used as access for longitudinal long hole stopes. The transverse stopes will be accessed along horizontal cross-cut drives leading from the footwall drive at dimensions of 5.0 m wide X 5.0 m high and developed at right angles to the strike of the deposit. The cross cuts will be spaced 15 m apart along strike to adequately traverse the deposit and provide for a 15 m stope strike drilling envelope in a primary-secondary stope sequence and retreating from the hanging wall to the footwall (direction).

Conceptually, once the crosscut ore-drive is in its final position (just through the hanging wall contact), a 10-hole (9-holes charged) blast slot will be developed using a long-hole production drilling rig to create a free face for subsequent ring blasting (1.5 metre spaced rings) by retreat extraction.

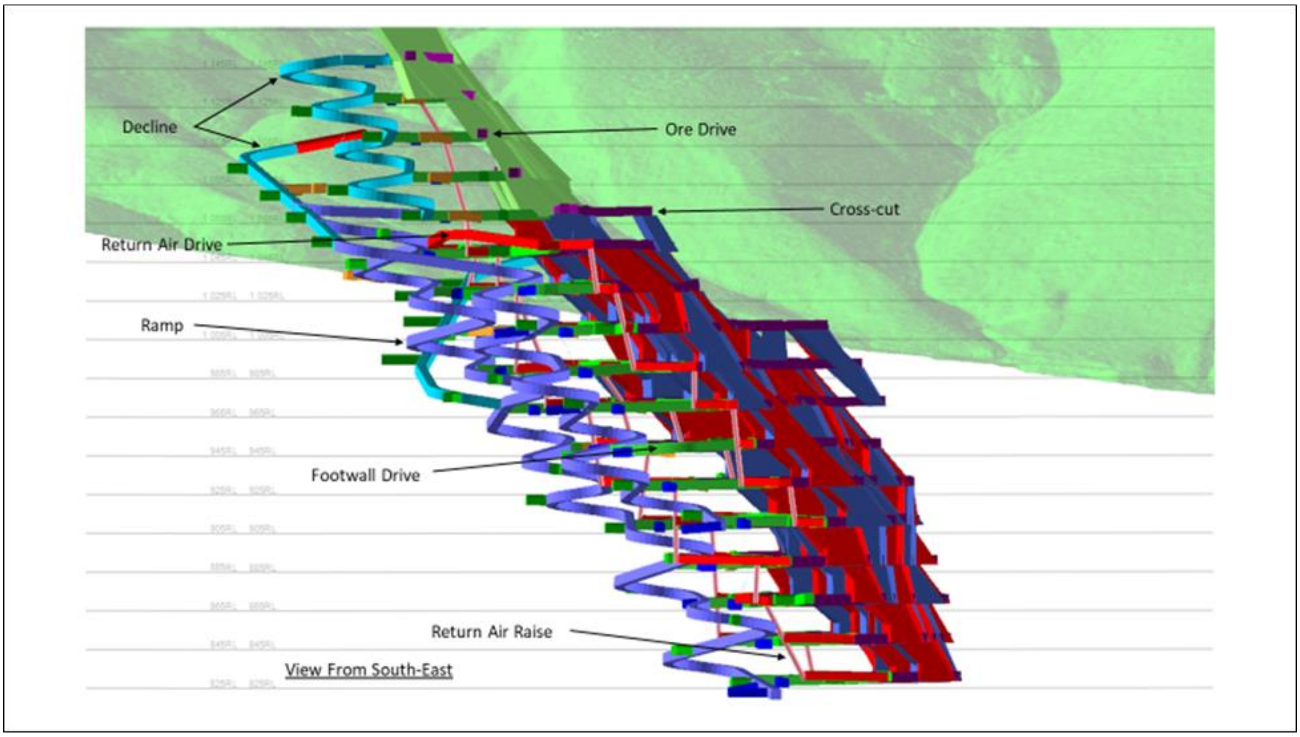
The longitudinal stopes will be accessed along a strike orientated ore drive, with dimensions of 5.0 m wide X 5.0 m high, which exits the sub-level access drive. There will be one ore drive per sub-level for the longitudinal stopes. The ore drive is developed along strike to the distal end of the sub-level and then stoping occurs in a retreat direction along the ore drive. For the longitudinal and transverse stopes, the mine design of the rings has the holes spaced to optimise drilling and to allow for a suitable Powder Factor whilst not over breaking the stopes and fracturing the surrounding secondary stopes. Further to this, the mining costs allowed for the drilling of twin-strand, 10 m cable bolts in the hanging wall in a fan shape at the ends of the ore-drives prior to the slotting being done. This will further improve the hanging wall stope stability on retreat. The loading of the blasted material be at the intersection point of the crosscut and the footwall drive and hauled via the internal ramp and decline to surface and tipped onto one of three Run of Mine ("ROM") stockpiles depending upon the grade.

The ore will be recovered from the ROM stockpiles by front end loader, with a pre-planned recovery method to achieve the planned grade for feed to the processing plant. The front-end loader will discharge into the primary crusher so that blending effectively takes place in the crushing plant. Hauling from more distant stockpiles will be by trucks. The crushed ore is deposited onto a stockpile before being reloaded onto on-highway trucks for haulage to the Vares Processing Plant.

Figures 3 & 4 illustrate the planned declines, ramps, levels and stopes at Rupice. The mine design comprises largely of the access and ventilation portal areas (shown in red in Figure 3), main declines (light blue), trackless ramps (light purple) sub-level access drive (green), and the sub-level footwall drives (green).

The main ventilation infrastructure includes the return airway decline, return air drives and return air raises. The intake air will travel down the middle and lower access declines and into the mine via the internal ramps and onto the levels where it will leave the mine via the return air raises and ultimately exhausted through the upper return airway portal. The mine will operate on a "push" ventilation system initially, until the three declines are linked together, and sufficient development is complete to allow stoping to commence. At this point (scheduled to be approximately 10 months after commencement of mine development), the primary ventilation fans will be commissioned, and thereafter the mine will operate using a "pull" ventilation system.

Figure 4: Rupice Underground Mine design (view from the southeast)



Scheduling rates for Rupice are based on the activities required and the estimated cycle times for each activity in the mining cycle. The general sequencing follows geotechnical considerations for primary and secondary stope extraction, a general mining direction of "bottom-up" and the delays associated with in-stope void filling.

This underground mine operating model assumes the following underground working calendar and shift arrangements:

- 365 working days per year
- 2 working shifts per day
- 11 underground hours of shift duration
- 10.5 hrs effective hours per shift

The scheduling rates used in the development of the underground production schedule are summarised in Table 15 below. The rates have been estimated based on available shift time, cross-sectional dimensions, planned advance per blast and mining activity cycle time estimates.

The effective stoping rates are calculated based on all the activities required to establish, slot, drill and blast, muck and then fill a stope. The backfill test results indicate that slotting of the secondary stopes can safely commence 21 days after completion of backfilling in the adjacent primary stopes. The backfill costs also made provision for higher binder content to enable strong fill curing within 21 days.

Table 15: Mining cycle time estimates

Schedule item	Unit	Single End Rate (Learning Curve Period)	Single End Rate (Steady-State)	Crew Rate	No of Crews Per Shift
Initial Decline Portals (first 50m)	linear m/month	25	50	50	1
Main Declines	linear m/month	40 to 80	120	150	3
Primary access and Secondary Accesses	linear m/month	60 to 80	135	220	3 then tapers to 1 at near end of life
Horizontal ore drives	linear m/month	60	135	200 -240	Same crews for primary
Effective Stope Rate (LLOS)[1]	t/month	~14,500	~14,500	~14,500	1
Effective Stope Rate (TLOS)[1]	t/month	~16,250	~16,250	~16,250	2
Long-hole drilling	drill m/month	6,000	6800	6800	2
Vertical raises	linear m/month	25	30	30	1
Cementitious Paste-fill (LLOS)	m^3/d	500	750 – 800	1,000	1
Cementitious Paste-fill (TLOS)	m^3/d	500	750 – 800	1,000	1

1. Stope tonnes divided by stope completion time

The long-hole drilling metres are calculated from the stope drill and blast designs concluded, which assume a factor of 7 tonnes of ore per blast hole. Two longhole drill rigs will be employed to do all the slotting, the smaller level ventilation rises and the stope drilling.

The mining cycle will consist of the following sequential activities:

- ore drive development
- hanging wall cable bolting
- stope slotting
- stope production drilling
- charging and blasting
- Remote-controlled stope loading
- truck loading at stockpiles
- hauling
- backfill wall installation
- backfill plug pour
- complete stope backfilling
- allow sufficient time to cure prior to starting any neighbouring stope slotting activities

Drill and Blast

The drilling activities will be separated into short-shot-hole, long-shot-hole and support drilling. Different mechanised drilling machines will be used for each of these activities. Support drilling will be performed by one cable bolt support drilling rig (bolter) capable of drilling long holes for installation of cable bolts and other ground support bolts. Short hole drilling will be performed by double boom drill-rigs (jumbos). Primary support will be a combination of friction bolts or grouted bolts and will be performed using the jumbos and bolters where required. When necessary, synthetic fibre reinforced shotcrete will be applied up to 75 mm thick for long-life access ways using a mobile shotcrete vehicle. Longhole drilling will be performed by a top hammer long-hole drilling machine capable of drilling up to 32 m to 35 m tubed long holes, 76 mm to 89 mm in diameter.

Blasting activities will be supported by charge-up crews and utility vehicles modified for the purposes of transporting explosives, blasting accessories and charging of the blast holes. The modified utility vehicles will be loaded at the surface magazines where emulsion will be sensitised and loaded into the special purpose explosives kettle located on the charge-up vehicle. A water-resistant emulsion explosive will be used in conjunction with cast boosters as a primer and shock tube detonators. Blasting will be initiated at fixed intervals at the end of the shift from a central control room once shift clearance procedures are complete. Longhole stoping blast holes will have at least two primer-boosters per hole.

Equipment

The loading of blasted feed material and waste as well as the backfilling of the stopes will be achieved using a single type of load haul dump unit ("LHD") model and size in order to minimise the inventory of equipment spares. Mucking of waste development, drive development and stoping materials will utilise a 14-tonne class LHD. Backfilling of waste (when available) into the open stopes will utilise the same class 14-tonne LHD, but stope backfilling will mostly try to utilise the backfill plant and system.

Transport of ore and waste to surface will be achieved by 42-tonne class diesel haul trucks via the main transport drives, ramps and declines to surface.

The ancillary equipment fleet will consist of various utility vehicles for the transport of equipment, consumables and stores in and out of the underground mine. There will also be an underground motor grader, integrated tool handler and light vehicles. The estimated mechanised mining machinery is summarised in Table 16 below.

Table 16: Estimated Mechanised Equipment List

Equipment type	Average Requirement	Peak Requirement
Drill Rig – Short hole	3	3
Drill Rig – Long hole	2	2
Drill Rig – Bolter/Support	1	1
LHD	2	3
Truck	3	4
Shotcrete Unit	1	2
Charging Vehicles	1	2
General Service Truck	1	1
Scissors Truck	2	2
Water Cart	1	1
Motor Grader	1	1
Personnel Transport Vehicle	1	2
Light Vehicles	6	6
TOTAL	**25**	**30**

Grade control drilling to facilitate detailed grade estimation and also geotechnical conditions, ahead of mining, will be achieved by use of a dedicated diamond drill rig. Diamond drill grade control holes will be completed, such that diamond core for detailed geological and geotechnical logging, assaying and grade estimation will be available at a minimum of three months in advance of the stoping production schedule. The grade control and geotechnical drilling is an essential and integral part of the mine production sequence.

Underground Labour

Mining operations at the Rupice Underground Mine will be based on a 12-hour shift, with staff rostered 4 days on, 4 days off, and additional staff to cover leave.

Table 17: Rupice Underground Mine Labour Requirements

Rupice Underground Mine Labour Requirements	Peak Requirement
Underground Operators	114
Surface Operators, Management, Geology etc	69
Total Rupice Labour Requirement	183

The Rupice underground schedule was developed on a month-by-month basis from start to finish. The schedule is conversative as it will allow for operator learning curves and reasonable linear advance rates. This schedule is largely driven off the assumption that the mining crews will be experienced at the onset with skilled supervision to ensure the schedule progress is achieved. The initial stopes targeted allow for some stope learning and are scheduled within a couple of medium grade stopes whilst the access development progresses down to the intended high value mining block.

Geotechnical Considerations

The Rupice deposit is situated within a thrust-bound belt of Triassic rocks surrounded by Jurassic carbonates. The stratigraphy is not well defined, due to fault-related structural complexity and alteration but, in general, a footwall sandstone is overlain by marls and dolostones that host the mineralised horizon, with a hanging wall that commonly includes a laminated dolomitic mudstone.

The range of rock types vary from limestone, dolostone, calcareous and dolomitic marl, to a range of siliciclastic rocks, including cherty mudstone, siltstone, and sandstone. The mechanical properties of the rocks are weak and with extensive bedding, foliation and shearing can be considered a poor to fair ground type.

The extensive diamond drilling program has allowed a structural and ground condition model to be developed. This will assist in predicting ground conditions, allowing support standards to be developed to match ground conditions.

Primary development will be placed in the marginally better footwall ground, sufficiently far from the orebody to negate the influence of mining. The main support for the declines and ramp development will be a fibre reinforced shotcrete with a systematic bolting pattern. The thickness of the shotcrete and density of bolting will be adjusted as ground conditions change. In very poor ground, additional support measures such as mesh, arches or cables may be used.

The LLOS mining method has been selected in narrow ore sections with TLOS in the wider sections. The stopes will be relatively small to minimise open spans and a paste backfill utilised to control any ground displacements.

A strict stoping sequencing will be observed to ensure induced stresses are not created. The stopes will be pre-supported on the hanging wall and where necessary in the drill drive roof by long cable bolts. Additional cables will be installed in the extraction drives to ensure safe longhole charging. All mucking of the stopes will be done remotely. Tight backfilling of stopes will be done to prevent any back-breaks and minimise rock mass movements. A monitoring program using stress-meters and extensometers will be utilised to predict and manage any ground behaviour changes. Continuous back analysis, empirical and numerical modelling will be carried out on stoping performance to ensure that the safest optimum designs are used.

METALLURGY & PROCESSING

The 2021 DFS process design is based on treating ore from the Rupice Underground Mine through a sequential flotation process to produce a silver-lead concentrate and a zinc concentrate. The process design is based on testwork conducted by Wardell-Armstrong, Metso-Outotec and others.

The key considerations for the selection of the process equipment included the variable nature of the orebody in terms of both feed grade and comminution characteristics, the use of equipment from reputable vendors and a minimised process plant capital cost without compromising reliability. The process design has been optimised around metal production during the first five years of operations.

Processing Modifications Since 2020 PFS

The processing optimisations have simplified the process design and significantly reduced the project execution and operational risk:

Removal of the barite concentrate recovery circuit

Market research conducted by an independent barite marketing expert concluded that, while the barite concentrate produced by the Vares Processing Plant had a suitable end-market, the current weak demand and prices of barite and the high shipping rates negatively affected its contribution to the project.

Given these findings the Company decided to remove the barite circuit, pending future improvements in its profitability. The Vares Processing Plant layout has allocated space, adjacent to the flotation building, for the future installation of a barite recovery plant and barite concentrate handling.

Not recovering the barite concentrate, reduces the project execution risk by removing 200,000 tonnes of concentrate movement in the first year of Commercial Production and 1.1 million tonnes over first 5 years.

Removal of the sulphide (pyrite) concentrate recovery circuit

The sulphide (pyrite) concentrate recovery circuit was the penultimate step in the 4-stage sequential process designed in the 2020 PFS. It was developed to remove remaining sulphide minerals from the barite concentrate. In practice, the tailings of the silver-lead recovery circuit fed the zinc circuit; the tailings of zinc circuit fed the sulphide (pyrite) circuit; and the tailings from the sulphide (pyrite) circuit fed the barite circuit.

It had been determined that there was a small market for this product as the high sulphide content was useful as a flux in smelting operations and the small quantities of contained gold, silver and zinc contents were high enough to be payable. However, when tendered for the 2021 DFS no offers were received.

Sufficient space is available in the layout of the Vares Processing Plant for the installation of the sulphide (pyrite) concentrate recovery circuit at a later date if demand returns. It would be possible to produce the sulphide (pyrite) concentrate with or without the downstream barite recovery circuit.

New comminution design reduces environmental impact at the Vares Processing Plant

The crushing plant has been redesigned as a three-stage crushing facility at the Rupice Surface Infrastructure site. The 2020 PFS comminution design has only primary crushing at Rupice with SAG and Ball Milling at the Vares Processing Plant. With the backfill plant at Rupice Surface Infrastructure requiring two different aggregates, this created an opportunity for optimisation. The crushing at the Rupice Surface Infrastructure will now be used to produce both aggregates for the backfill plant as well as the 12mm crushed ore feed for the Vares Processing Plant.

As a result, the surface-area footprint at the Rupice Surface infrastructure has been increased to accommodate the three-stage crushing plant as well as larger ROM stockpile capacity to enable greater flexibility of stockpile management and blending to improve the consistency of the feed to the Vares Processing Plant

Subsequently, the SAG mill is no longer required in the Vares Processing Plant saving considerable costs and significantly reducing noise pollution that would otherwise affect the nearby village of Tisovci.

Process Overview

The Vares Silver Project has two processing sites; the Rupice Surface Infrastructure site and the Vares Processing Plant site. The Rupice Surface Infrastructure site, which is a greenfield site, is located above the Rupice Underground Mine site and is approximately 11 km as the crow flies, or 24.5 km by road, northwest from the Vares Processing Plant.

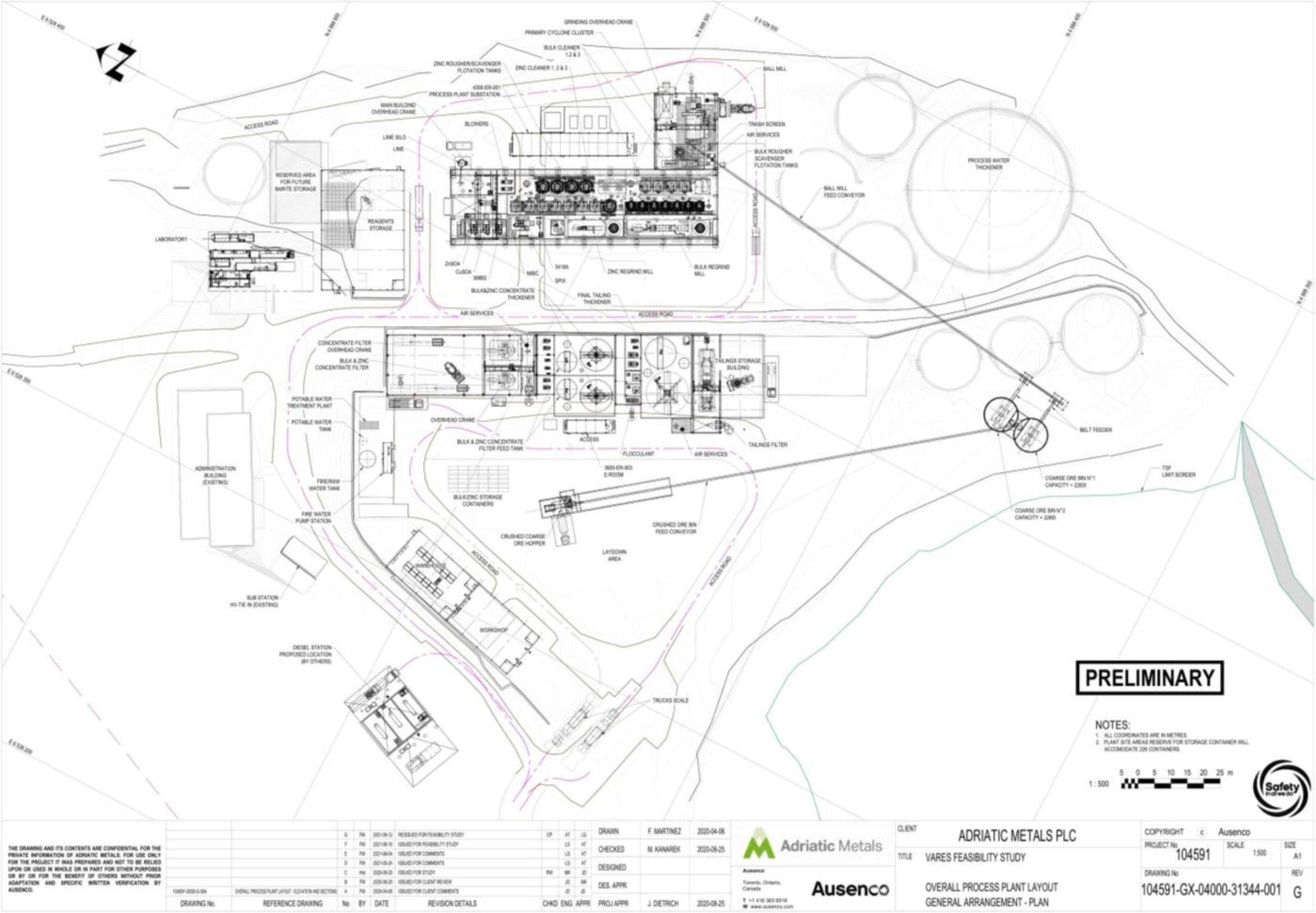
ROM hauled to surface from the Rupice Underground Mine will be deposited onto one of three surface stockpiles based on grade, from which the ore will be reclaimed, by a front-end loader, (and trucks, depending on distance of the stockpile from the crusher feed bin) into the three-stage crushing plant feed bin. Waste rock will be processed through the same crushing plant to produce the required aggregate materials used for the backfill plant. The ore and waste rock will be processed on a batch basis through the crushing plant and the plant has been sized on this basis. Crushed ore and aggregate material will be loaded onto trucks by front-end loader and transported to the Vares Processing Plant and backfill plant, respectively. The backfill plant is within 1 km of the crushing plant and the 24.5 km haul-road connects the Rupice Surface Infrastructure Site to the Vares Processing Plant site.

Crushed ore is received at the Vares Processing Plant coarse ore hopper and conveyed to and stored in two crushed ore bins prior to the ball mill grinding circuit, which consists of a ball mill and cyclones. The cyclone overflow reports to the sequential flotation circuit, which consists of silver-lead flotation and regrinding, and subsequent zinc flotation and regrinding. The process produces two saleable concentrates (silver-lead and zinc), which are subsequently thickened, filtered, and placed in sealed and lined shipping containers for transport.

The tailings from the Vares Processing Plant reports to a thickener and pressure filter to produce filtered tailings. The resulting filtrate is returned to the Vares Processing Plant as recycled process water, increasing water efficiency and minimising makeup water requirements. The filtered tailings are then either trucked back to the Rupice backfill plant for use as backfill in the Rupice Underground Mine or trucked and placed at the Tailings Storage Facility located adjacent to the Vares Processing Plant.

At the Rupice Surface Infrastructure the filtered tailings will be stockpiled next to the backfill plant. Waste rock from the Rupice Underground Mine, crushed to –12mm will be mixed with the filtered tailings and a cement binder in the backfill plant to produce Paste Aggregate Fill ("PAF"). The PAF backfill is then pumped into the underground reticulation system. The backfill plant will also produce Cemented Aggregate Fill ("CAF") which utilises waste rock crushed to −75mm and cement, which will be produced and trucked underground to meet mining CAF requirements.

Figure 5: Vares Processing Plant Layout



Process Design Criteria

The key process design criteria for the mineral processing facilities are listed in Table 18 below:

Table 18: Process Design Criteria

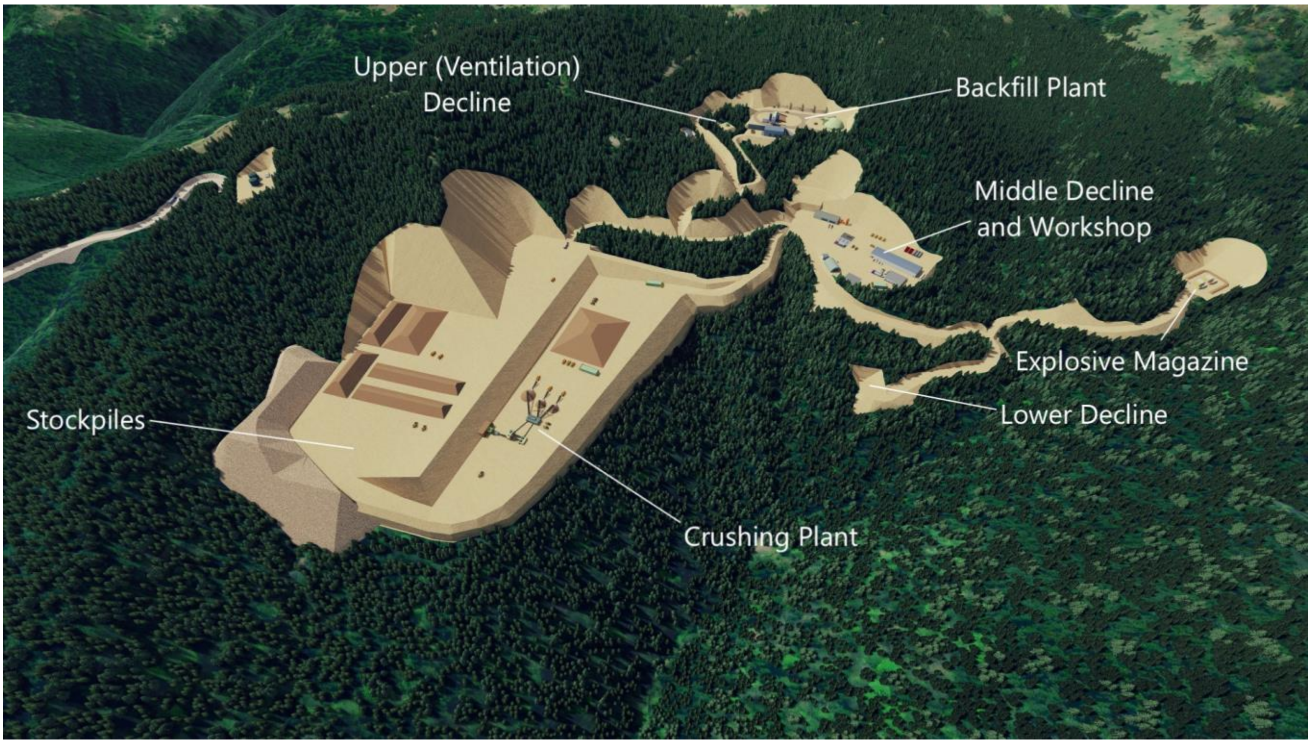
Criteria	Unit	Value
Annual Throughput (Nominal)	t/y	800,000
Operating Days per Year	d	365
Operating Availability – Crushing	h/y	5,694
Operating Availability – Grinding and Flotation	h/y	8,000
Operating Availability – Concentrate and Tailings Handling	h/y	7,200
Design Throughput – Crushing	t/h (dry)	290
Design Throughput – Grinding and Flotation	t/h (dry)	100
Design Throughput – Silver-Lead Concentrate Filtration	t/h (dry)	10
Design Throughput – Zinc Concentrate Filtration	t/h (dry)	12
Crushing Feed Size, 100% Passing	mm	600
Crushing Product Size, 80 % Passing – Crushed Ore	mm	7
Crushing Product Size, 100 % Passing – Paste Aggregate Fill	mm	12
Crushing Product Size, 100 % Passing – Cemented Aggregate Fill	mm	75
Grinding Product Size, 80% Passing	μm	40
Ball Mill Circulating Load	%	250
Bond Ball Mill Work Index – Design; LoM Average	kWh/t	9.5
Bond Abrasion Index – Design; LoM Average	g	0.168
ROM Head Grade, Lead – Average	%	2.9
ROM Head Grade, Copper – Average	%	0.5
ROM Head Grade, Zinc – Average	%	4.6
ROM Head Grade, Gold – Average	g/t	1.37
ROM Head Grade, Silver – Average	g/t	159
Metal Recovery Method	-	Polymetallic Sequential Flotation

Table 19: Summary of concentrate recoveries, metal payabilities, grades and recoveries

	Zinc Concentrate				Silver-Lead Concentrate			
Metal	Recovered Metal	Payable Metal	Grade	Recovery	Recovered Metal	Payable Metal	Grade	Recovery
Ag	8,522 koz	5,085 koz	457g/t	18%	33,723 koz	32,034 koz	2,051g/t	71%
Zn	333.4 kt	283.4 kt	57.4%	80%	44.8 kt	1.1 kt	8.8%	11%
Pb	17.0 kt	-	2.9%	7%	224.8 kt	209.5 kt	44.0%	86%
Cu	6.2 kt	-	1.1%	14%	35.9 kt	6.6 kt	7.0%	80%
Au	107 koz	59 oz	5.7g/t	24%	175 oz	159 oz	10.7g/t	40%
Sb	1.1 kt	-	0.2%	6%	14.8 kt	13.3 kt	2.9%	88%

Rupice Surface Infrastructure

Figure 6: Isometric view of the Rupice Surface Infrastructure showing underground mine plan in red



Vares Processing Plant

The Vares Processing Plant is located on a brownfield site. The historic surface infrastructure has already been demolished, except for the administration building and the historical tailings thickener that will be repurposed for future use, as shown on the right-hand side and left-hand side, respectively of Figure 7. Inspections have confirmed that the thickener is suitable to be re-used as the process water tank. The administration building has been in use as the Company's offices since 2020. The new buildings can be constructed on the existing concrete pads remaining from the historical processing facilities.

Figure 7: Aerial view of the brownfield site for the Vares Processing Plant. Photo: Adriatic Metals July 2021

Process Description - Rupice Surface Infrastructure

Crushing

ROM material will be deposited by the underground trucks at one of three ROM stockpiles near the portal. The ore will be allocated to the stockpiles based on the following definitions, which are determined by reserve block NSR values;

Category	ROM Value
Low Grade	0 to 19 $/t
Medium Grade	19 to 165 $/t
High Grade	>165 $/t

A front-end loader will reclaim ore from the stockpiles in accordance with the blending regime required by the processing plant and deposit the ore into the blend ore bin, (crushing plant feed bin). For longer tramming distances from stockpiles the loader will load the two 30 t trucks provided and they will travel to and tip into the blend ore bin. The blend ore bin has a nominal capacity of 85 t and will be equipped with a 600 mm static grizzly to prevent oversize material from entering the crushing circuit. A vibrating grizzly feeder will feed the material from the bin to the primary crusher which will allow finer material to bypass the crusher.

The primary crusher will be a single-toggle jaw type crusher and will be designed to reduce the feed size from 80% passing 427 mm to 80% passing 150 mm. The crushed material will combine with the undersize material from the grizzly feeder which will lower the 80th percentile of the particle size distribution from 150 mm to 121 mm. The ore will then report to the secondary cone crusher which would be operated in open circuit. The secondary crushing stage would further reduce the 80% passing size of 121 mm to 51 mm. The secondary crusher discharge would then be conveyed to the triple deck sizing screen. The top, middle and lower deck screen apertures will be 75 mm, 28 mm and 12 mm respectively. Oversized material on the sizing screen decks will report to the tertiary cone crusher. The tertiary cone crusher is operated in closed circuit and will reduce the feed size from 80% passing of 50 mm to 12 mm. The tertiary crushed product is combined with the secondary crusher product prior to reaching the triple deck sizing screen. The undersize of the sizing screen provides the final product of the crushing circuit and will produce an 80% passing crushed ore product of 7mm.

The same crushing plant will also be used to produce aggregate for both PAF and CAF to the backfill plant. When producing PAF the crushing circuit will operate exactly as described above to produce the crushed ore material but will be fed with waste rock. A diverter gate system will direct the undersize of the sizing screen to a dedicated PAF stockpile that provides material with a 100% passing size of 12 mm. When producing CAF the crushing operation is truncated and will bypass the tertiary crusher closed loop circuit. The undersize of the screen will be redirected to a CAF stockpile that provides 100% passing size of 75 mm.

The crushing plant has been sized to handle the combined monthly requirements for both ore and aggregate. It will be operated on a batch basis, utilising available stockpile and coarse ore bin capacity.

Crushed ore and waste rock will rely on front-end loaders to reclaim the material and load haul trucks to be transported to either the processing plant or backfill plant, respectively.

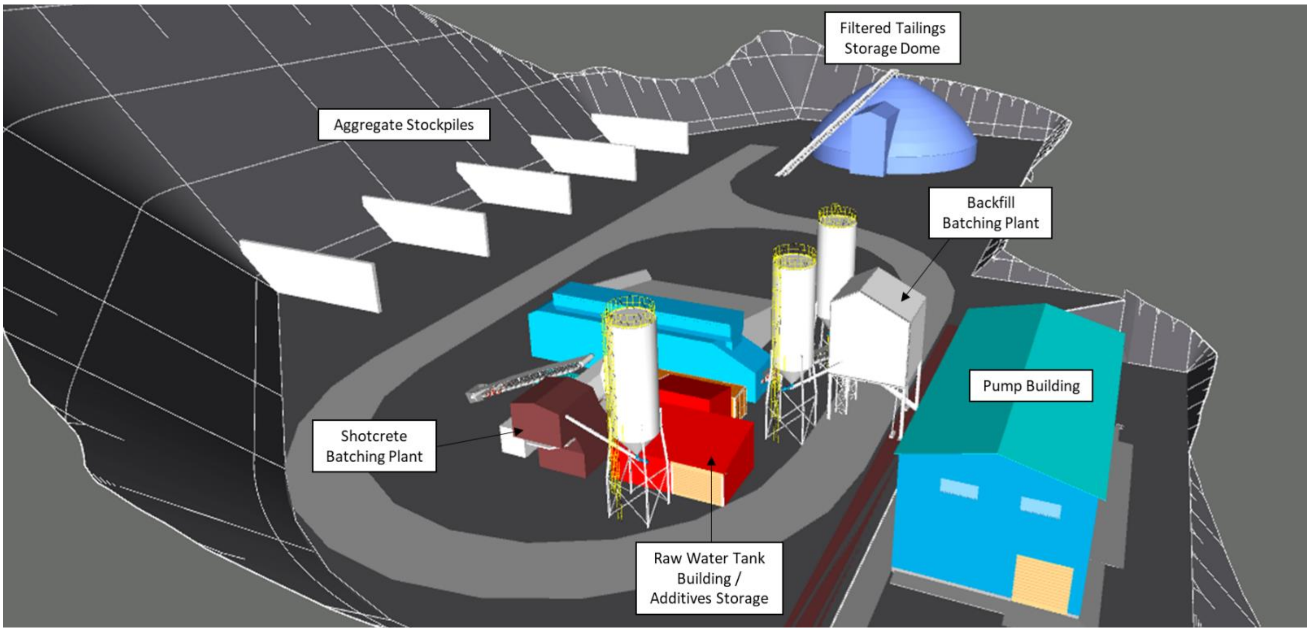
The major equipment and facilities include:

- Feed bin (85 t capacity) with a fixed grizzly and vibrating grizzly feeder
- BRC1050 800 mm x 1045 mm Jaw Crusher
- VRS44 Secondary Cone Crusher
- VRT84 Tertiary Cone Crusher
- Triple Deck Product Vibrating Screen, VS 703-30 7m x 3m
- Crusher discharge conveyors
- Dust collection system
- Crushed ore radial stacker

Backfill Plant

The backfill plant has been designed to produce two separate products, a CAF and a PAF, throughout the mine life. During the early stages of the operation, no tailings material is available so CAF will initially be produced, before transitioning to producing both CAF and PAF once tailings material is available. The selection of the backfill product is made on a stope-by-stope basis based on the strength requirements for the mining extraction sequence.

Figure 8: Backfill Plant Layout at the Rupice Surface Infrastructure site



The CAF comprises of aggregate, binder, and batch trim water. The PAF comprises aggregate, binder, processing plant tailings, and batch trim water.

Stockpiles at the backfill plant site consist of an open -75 mm aggregate stockpile (for the CAF), an open -12 mm aggregate stockpile (for the PAF), and a covered tailings stockpile (for the PAF). Aggregate is sourced from crushed development waste, whereas tailings material is trucked from the Vares Processing Plant.

Aggregate, and tailings in the case of PAF, is loaded by front-end loader to a series of weigh-hoppers that weigh and transfer the material, via a belt feeder and mixer feed conveyor, to the batch mixer in the batching plant. In the batching plant, the weighed tailings and aggregate are mixed in the batch mixer along with binder and batch trim water to generate the required product specification.

When producing CAF, material is ejected from the bottom of the batch mixer and discharged to waiting ore - haulage trucks for delivery underground as a backhaul from the ore haulage.

When producing PAF, material is ejected to a paste hopper, where it is pumped to an underground reticulation system by a positive displacement pump via two primary routes. The main route, and that for the initial phase of mining, enters the underground mine via a surface borehole near the backfill plant, which breaks through at a level of 1078 m. From there it is distributed through a series of inter-level boreholes and lateral level piping. Access to the upper stopes extracted later in the mine-life is provided via the upper ventilation decline to the 1145 m level.

The backfill plant also has a shotcrete batching and mixing system to meet underground shotcrete requirements. The plant will load the required mixture into the mixer from where it will be ejected directly into a truck for transporting underground for backfill application.

Process Description - Vares Processing Plant

Figure 9: Isometric view of the Vares Processing Plant

Crushed Coarse Ore Handling

Crushed ore will be trucked 24.5 km from the Rupice Surface Infrastructure site to the Vares Processing Plant and end-dumped into a crushed ore hopper with a capacity of 37.5 t. The crushed ore will be fed by a belt feeder to a belt conveyor. The belt conveyor will transport the crushed ore to a diverter gate, where it will be discharged into two coarse ore bins. Each bin provides a live residence time of 23 hours and a corresponding capacity of 2,260 tonnes of ore on a wet basis. Ore will be reclaimed from the bins by belt feeders and discharged to the ball mill feed conveyor.

In the event of a process disruption, the crushed ore can be stockpiled at an adjacent coarse ore storage pad with 12 hours of storage capacity and reclaimed with a front-end loader.

The major equipment and facilities in this area include:

- 37.5 t coarse ore hopper
- 12 hour emergency stockpile
- Crushed ore bin conveyor and reversible conveyor
- Two crushed ore bins with 2,260 t capacity each (wet basis)
- Two crushed ore bin belt feeders
- Ball mill feed conveyor and weightometer

The crushed ore bins provide surge capacity between the crushing system and the ball mill and will be independently filled and discharged. The throughput to the mill will be controlled by adjusting the speed of the crushed ore bin belt feeders based on the ball mill feed conveyor weightometer output and the mill control system set-point.

Grinding

The grinding circuit consists of a ball mill and cyclones. The grinding circuit will be designed to reduce ore from an 80% passing size of 7 mm to 40 µm.

The ball mill will be a single pinion overflow mill, operating in a closed circuit. The mill has an inside diameter of 4.3 m and an effective grinding length of 7.5 m. The mill receives crushed ore and process water at a variable flow rate to achieve the correct pulp density. Lime, zinc sulphate and sodium metabisulphite (SMBS) are also dosed to the ball mill to condition the ore prior to the flotation circuit. The ball mill discharge passes over a slotted trommel screen with an aperture size of 10 mm x 25 mm. The ball mill will be charged with high chrome grinding media, ranging in diameter from 25-40 mm utilising the grinding building hoist and ball kibble.

The major equipment and facilities in this area include:

- 4.3 m diameter x 7.5 m single pinion overflow ball mill with a 2,400 kW motor
- Hydrocyclone pack and pumping system
- Grinding media handling system

Operators will monitor the grinding mills discharge density, cyclone overflow and underflow densities, power draw, cyclone pressure, and other parameters to maintain a product size of 80% passing 40 µm.

Flotation

The flotation circuit at the Vares processing plant consists of silver-lead flotation and zinc flotation circuits.

Silver-Lead Flotation

The purpose of the silver-lead flotation stage will be to recover a silver-lead concentrate. Copper mineralisation also reports to the silver-lead concentrate. The mill cyclone overflow reports to a horizontal vibrating trash screen to remove any oversize particles or material prior to flotation. The screen undersize then reports to a conditioning tank where Aerophine 3418A is added as collector. Lime, SMBS and zinc sulphate are added to the ball mill to condition the slurry pH prior to the dosing of the collector, this removes the need for a second conditioning tank. The slurry will flow by gravity to silver-lead rougher flotation at a nominal density of 40% w/w and pH 8.

Silver-Lead Rougher Flotation

The silver-lead rougher flotation cells are conventional forced air tank cells. The concentrate from the silver-lead rougher flotation cells will report to the silver-lead regrind surge tank, while the tailings report to the zinc flotation circuit. MIBC will be dosed into the feed box of the first flotation cell.

Silver-Lead Regrind Circuit

The regrind circuit consists of a cyclone cluster and stirred horizontal regrind mill operating in open circuit. Slurry from the surge tank will be pumped to the cyclones to densify the feed to the regrind mill. The overflow will target an 80% passing product size of 10 µm. The cyclone overflow reports to the silver-lead cleaner circuit, while the underflow flows by gravity to the regrind mill. The regrind mill uses ceramic media with a 2-3 mm diameter and mill discharge also reports to the silver-lead cleaner circuit.

Silver-Lead Cleaner Flotation

The silver-lead cleaner circuit consists of three sequential stages of cleaning. The first stage will be dosed with Aerophine 3418A and MIBC to promote concentrate recovery. The flotation concentrates flow from the first stage through to the third and concentrate from the third stage reports to the silver-lead concentrate thickener. The tailings flow counter-current to the concentrate, and first cleaner tailings report to the zinc cleaner flotation circuit, bypassing the zinc rougher flotation step.

The major equipment and facilities in the silver-lead flotation area include:

- Four 20 m^3 rougher cells
- Four 10 m^3 cleaner 1 cell
- Two 10 m^3 cleaner 2 cells
- One 20 m^3 cleaner 3 cells
- 1500 kW ISAMill
- Silver-lead regrind cyclone cluster

Zinc Flotation

The purpose of the zinc flotation circuit will be to recover a zinc concentrate. Tailings from the silver-lead flotation circuit report to two conditioning tanks prior to the zinc circuit, where lime, copper sulphate and SIPX are added. The conditioned slurry will be then pumped to the zinc rougher cells at a nominal density of 40% w/w and pH 9. The zinc flotation circuit follows the same arrangement as the silver-lead circuit, described as follows.

Zinc Rougher Flotation

The zinc rougher flotation cells are conventional forced air tank cells. The concentrate from the zinc rougher flotation cells report to the zinc regrind surge tank, while the tailings report to the zinc rougher scavenger cells. The scavenger concentrate also reports to the zinc regrind surge tank, while the tailings report to the final tailings thickener. MIBC will be dosed into the feed box of the first flotation cell of each bank.

Zinc Regrind Circuit

The regrind circuit consists of a cyclone cluster and stirred horizontal regrind mill operating in open circuit. Slurry from the surge tank will be pumped to the cyclones to densify the feed to the regrind mill. The overflow will target an 80% passing product size of 20 µm. The cyclone overflow reports to the zinc cleaner circuit, while the underflow flows by gravity to the regrind mill. The regrind mill uses ceramic media with a 2-3 mm diameter and the mill discharge also reports to the zinc cleaner circuit.

Zinc Cleaner Flotation

The zinc cleaner circuit consists of three sequential stages of cleaning. The first stage will be dosed with SIPX and MIBC to promote concentrate recovery. The flotation concentrates flow from the first stage through to the third and concentrate from the third stage reports to the zinc concentrate thickener. The tailings flow counter-current to the concentrate, and tailings from the first stage reports to the final tailings thickener.

The major equipment and facilities in the zinc flotation area include:

- Four 30 m^3 rougher cells
- Four 20 m^3 cleaner 1 cell
- Two 20 m^3 cleaner 2 cells
- One 30 m^3 cleaner 3 cells
- One 30 m^3 cleaner scavenger cells
- 500 kW ISAMill
- Zinc regrind cyclone cluster

Concentrate Handling

The concentrate handling circuit consists of thickening and filtration equipment to dewater the silver-lead and zinc concentrates prior to loadout and shipment.

Each concentrate stream reports to a dedicated high-rate thickener, where Magnafloc 10 will be added to assist in the settling of the solids. The thickener overflows report to the process water tank, while the underflows report to dedicated filter feed tanks which have a residence time of 12 hours.

Figure 10: Isometric view of concentrate thickening and handling building

The silver-lead and zinc thickener underflows each report to a dedicated concentrate filter at nominally 65% w/w solids. The filter will be a vertical tower filter press and discharges filter cake at a target moisture content of 8.1% w/w and 9.4% w/w for the silver-lead and zinc concentrates, respectively. The filter discharges to two indoor stockpiles; one for the silver-lead concentrate and one for the zinc concentrate, each with a 12-hour storage capacity.

The concentrates are reclaimed from the stockpiles by a front-end loader and loaded into a hopper and conveyor feeding system to fill the shipping containers. The containers are stacked by a forklift outdoors, and subsequently loaded onto trucks. The Vares Processing Plant site has sufficient storage capacity for 4 days of production from each concentrate. The major equipment and facilities in this area include:

- 10 m diameter high-rate elevated tank zinc concentrate thickener
- 10 m diameter high-rate elevated tank silver-lead concentrate thickener
- Filter feed tank agitators
- Larox PF 25/35 M15, recessed-plate diaphragm, horizontal chambers filter for silver-lead filtration
- Larox PF 30/35 M15, recessed-plate diaphragm, horizontal chambers filter for zinc filtration
- Flocculant dosing system
- Conveyors to stockpiles and for loading containers

- Outdoor storage areas for concentrate containers

The thickener performance will be controlled to achieve the target underflow densities required for filtration. The filter cycle times will be adjusted as necessary to achieve the required filter cake moistures.

Tailings Handling

Tailings from the flotation circuits reports to a tailings thickener, where flocculant will be added to promote settling of the solid particles. The overflow reports to the process water tank, while the underflow reports to a filter feed tank at 65% w/w solids. The filter feed tank has a residence time of 12 hours and feeds a horizontal plate and frame pressure filter. The press produces a filtered tailings product at a target moisture content of 9.3% w/w and discharges it to a covered stockpile. The tailings are recovered by a front-end loader and transported by haul truck back to the Rupice Surface Infrastructure for use as backfill or deposited at the nearby Tailings Storage Facility ("TSF").

The major equipment and facilities in this area include:

- Larox FFP 1516 65/70 M60, recessed-plate diaphragm, vertical chambers filter for tailings filtration
- 13m diameter high-rate elevated tank tailings thickener
- Filter feed tank agitator
- Ancillary equipment including pump boxes, pumps, and compressors
- Flocculant dosing system

The thickener performance will be controlled to achieve the target underflow densities required for filtration. The filter cycle times will be adjusted as necessary to achieve the required filter cake moistures for transport to the Rupice Surface Infrastructure site during underground operation or for the TSF.

Reagents Handling and Storage

The reagents and operating consumables used in the process are summarised in Table 20 on the basis of a nominal 800,000 tonnes per year mill throughput and averaged over the LOM for Rupice ore. Reagent and consumable consumption rates were derived from test work. The Vertical Plate Pressure Filter ("VPA") and Fast-opening Filter Press ("FFP") filtration cloth consumption is based on an expected cloth life of 6,000 and 3,000 cycles, respectively.

Table 20: Schedule of Process Reagents and Operating Consumables

Reagents	Consumption (g/t)	Consumption (t/y)
Lime (Quicklime)	605	484
Depressant (SMBS)	1,350	1,080
Depressant (Zinc Sulphate)	675	540
Activator (Copper Sulphate)	350	280
Collector (Aerophine 3418A)	85	68
Frother (MIBC)	120	96
Collector (SIPX)	175	140
Flocculant (Concentrate)	20	16
Flocculant (Tailings)	40	32
Consumables		
Ball mill media (20-45 mm)	-	576

Silver-lead Re-grind mill media (2-3 mm)	-	0.64
Zinc Re-grind mill media (2-3 mm)	-	0.27
Filtration cloth, VPA (# of cloths)	-	14
Filtration cloth, FFP (# of cloths)	-	600

Plant Services

Services at the Vares Processing Plant include process water, raw water, fire water, potable water, gland water, and low and high pressure air services. The existing 50 m diameter tailings thickener will be used to store process water.

TAILINGS STORAGE FACILITY ("TSF")

The 2021 DFS does not include the mining of the Veovaca open pit. This reduces the tonnage of tailings that will require storage in the TSF by 1.91 Mt over life of mine. In addition, mining the Veovaca open pit would have also required stripping waste rock to access the ore, which would also require a dump with a capacity to store 8.64 Mt of waste rock. Total tailings and waste from mining Veovaca would have been 10.6 Mt.

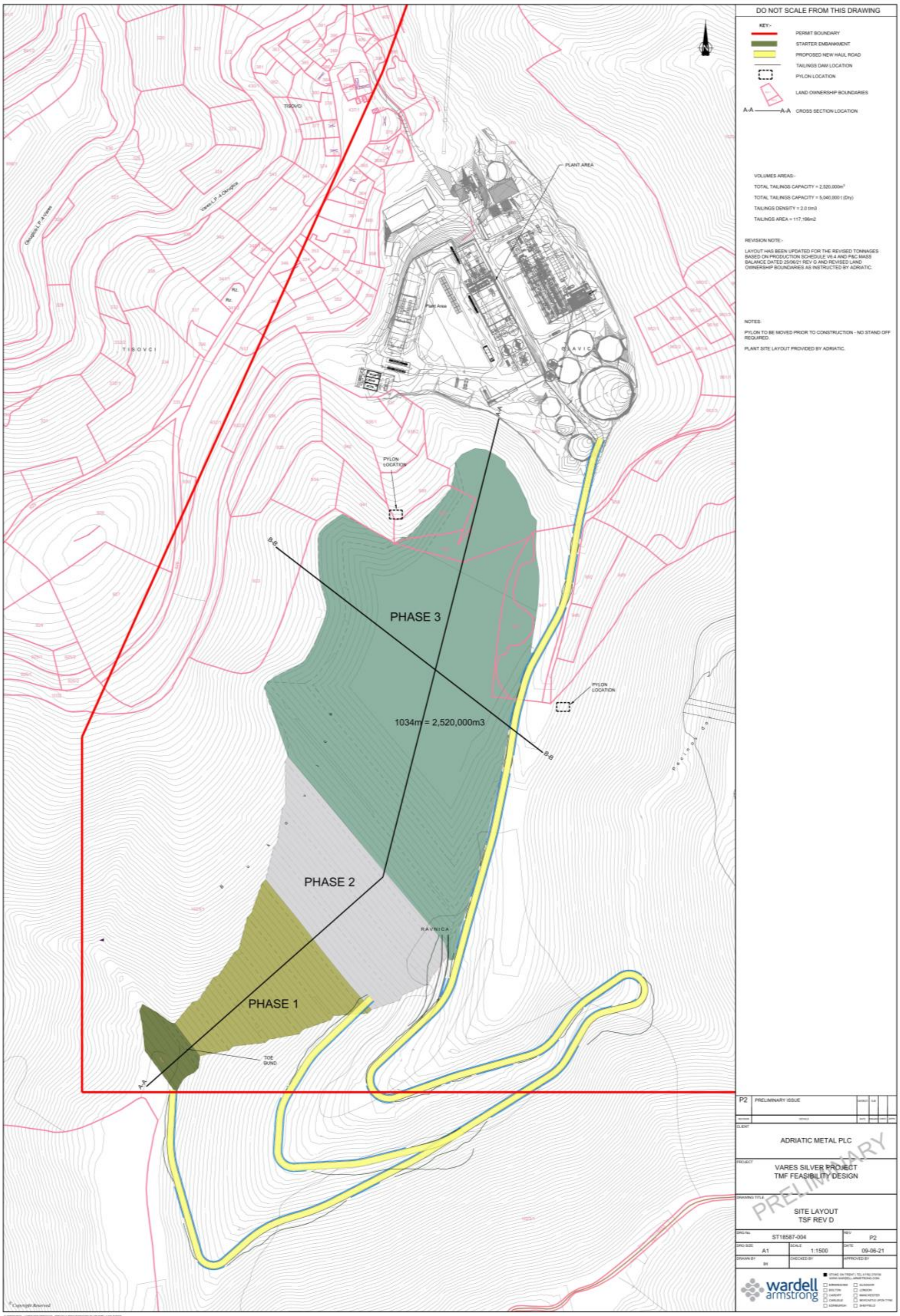
TSF Site Location

The TSF has been designed to international design codes and standards, such as the EU Mine Waste Directive and Best Available Techniques Reference Document for the Management of Waste from Extractive industries and the Global Industry Standard on Tailings Management.

Tailings generated in excess of the PAF requirements will be stored in a dry-stack tailings facility, located in the valley immediately south of the Vares Processing Plant site, as shown on Figure 11. The facility has a total area of 11 hectares and a capacity of 2.5 million cubic metres, which is sufficient to store the tailings generated over LOM.

The site is characterised by a steep sided densely wooded valley with a small stream in the valley bottom. The substrata are characterised by thin topsoils overlying completely to highly weathered siltstones and mudstones which grade in to weathered becoming fresh fractured limestone.

Figure 11: Plan view of the Dry Stack Tailings Storage Facility



TSF Construction

The TSF will be constructed in three phases with an initial starter area and two subsequent expansions providing an initial capacity of 0.97 Mt followed by 1.73 Mt and 2.55 Mt providing a total storage capacity of 5.25 Mt for the LOM. The TSF phasing is summarised below:

Table 21: TSF specification

Phase	Elevation	Lifts	Capacity (Mm^3)	Capacity (Mt)	Production (months)	Area (ha)
1	974	5	0.46	0.97	20	1.8
2	1,004	3	0.83	1.73	65	2.2
3	1,034	3	1.22	2.55	36	7.9
Total	1,034	11	2.51	5.25	121	11.9

Each phase will have the trees felled, grubbed and then stripped of topsoil prior to construction. All suitable material, including topsoil, grubbed tree stumps and roots will be stored and used in the restoration process. The near surface weathered rock will be regraded and stripped to supply the low mineral capping layer and improve the subbase profile.

A zoned starter embankment will be constructed at the toe (southern end) of the facility from locally sourced free draining rock fill keyed into the bedrock on the downstream side with an upstream low permeability zone formed from site won material. The embankment will be 10m high at its maximum extent with a 5 m crest, 1 vertical to 2.5 horizontal upstream slope and 1 vertical to 3 horizontal downstream slope.

The impoundment will be lined with an underdrainage geosynthetic layer overlain with 1.5 mm textured HDPE liner to prevent any groundwater seepage coming into contact with the tailings material and prevent seepage from contact water from the tailings into the groundwater.

The small stream in the valley bottom will be culverted for the length of the impoundment and starter embankment to be discharged downstream of the embankment.

Clean surface water will be prevented from entering the impoundment area by cut-off ditches constructed 5m beyond the maximum extent of the impoundment area. The cut-off ditches will direct the upstream surface water around the facility and discharge beyond the downstream side of the embankment.

The contact water within the impoundment will be managed and directed to the toe of the facility and out to a sump located beyond the toe of the embankment. The collected contact water will be pumped back to the process plant for recirculation in the process plant.

TSF Operation

From the time of commissioning the Vares Processing Plant the dry filter tailings, not returned to Rupice for backfill, will be transported by truck to the TSF phase 1 area. The tailings will be transported to the TSF at an average rate of 0.4 Mt per year. The tailings will be tipped on the stack then spread by dozer before compaction with a smooth vibrating roller and graded to form lift design. Compaction of the placed tailings will maximise the storage capacity and improve stability. The lifts will be developed in 10 m vertical height with a 5 m bench and an inter bench slope of 1 vertical to 2.5 horizontal and an overall stack slope of 1 vertical to 3 horizontal.

During operation the TSF will be monitored for water quality of both the groundwater and surface water, stability, dust and noise to confirm compliance with the operational management and environmental standards.

TSF Closure & Rehabilitation

The TSF will be progressively closed as each lift is completed with 1 m of low permeability mineral layer sourced from weathered shales and mudstones across the impoundment footprint topped with a 1 m thick sized waste rock cover to prevent erosion of the low permeability layer. The waste rock layer will be covered with a 0.5 m topsoil layer sourced from stockpiled soil and grubbed and chipped tree stumps and roots. The topsoil will be revegetated with local grasses. The capping quantities are summarised in the table below:

Table 22: Capping material quantities used during the closure and rehabilitation of the TSF

Phase	Low Permeability Mineral Layer (m^3)	Rock Capping (m^3)	Topsoil (m^3)
1	13,600	16,000	7,700
2	18,000	17,000	10,200
3	70,300	73,600	36,600
Total	**101,900**	**106,600**	**54,500**

CONCENTRATE MARKETING

Changes from the 2020 PFS

Market research conducted by an independent barite marketing expert concluded that, while the barite concentrate had a suitable end-market, the current high bulk shipping rates negatively affected the ability to sell at profitable levels. Barite is primarily used as a drilling mud in oil and gas exploration activity which has been relatively subdued since the COVID-19 pandemic.

Insufficient interest in the sulphide (pyrite) concentrate, prompted a redesign of the process design for a commensurate decrease in capital expenditure.

The current design allows for a barite and sulphide (pyrite) circuit to be added in future.

Table 23: Comparison of concentrate production between 2020 PFS and 2021 DFS over LOM

LOM Concentrate Production (dmt)	2020 PFS	2021 DFS
Zinc Concentrate	655,224	511,496
Silver-lead Concentrate	608,620	580,507
Sulphide (pyrite) Concentrate	249,736	n/a
Barite Concentrate	2,299,761	n/a
Total	**3,813,341**	**1,092,003**

Concentrate Marketing Specifications

Adriatic Metals engaged the services of Bluequest Resources AG ("BQR") to assist with the marketing of the silver-lead concentrate and zinc concentrate. Requests for proposals for both concentrates were sent to nine potential off-takers, all of which submitted bids.

Table 24: Contained metals in concentrate - average first 24 months

Zinc Concentrate			Silver – Lead Concentrate		
Element	Amount	Unit	Element	Amount	Unit
Silver	300 – 600	g/t	**Silver**	1,500 – 4,000 *(Ave 2,600)*	g/t
Zinc	55 – 58	%	**Zinc**	8 – 12	%
Lead	2.50	%	**Lead**	43 – 49	%
Copper	0.5 – 1	%	**Copper**	6 – 10	%
Gold	3 – 8	g/t	**Gold**	5 – 10	g/t

Zinc Concentrates

The zinc concentrate has a very low iron content, which is particularly advantageous for Roast-Leach-Electrowin smelters and interest from the potential off-takers has reflected this. Long-term benchmark treatment charge have recently settled at US$159 per dmt for 2021, and spot prices at US$75-85 per dmt. With this continued tightness in mind, BQR has assumed long-term benchmark terms for the LOM at US$195 per dmt (including a US$20 discount to benchmark).

The zinc concentrate contains some deleterious elements for which penalties will be payable in the range of US$10 – US$15 per dmt.

Table 25: Zinc concentrate baseline assumption

Zinc Concentrates Baseline Assumptions	
Payable silver	75% payable after deduction of 93.31g
Payable zinc	85% payable
Payable gold	75% payable after deduction of 1.5g
Treatment charges	US$195 per dmt (US$20 discount to benchmark)
Refining charges	None
Inland freight	US$24.72 per wmt
Export freight	US$35.02 per wmt
Weight losses	0.2%
Insurance	US$3 per wmt
Moisture	9%

Silver/Lead Concentrates

High-silver content concentrates, similar to the Vares Silver Project's silver-lead concentrate, are especially attractive for Chinese lead smelters as it allows them to toll treat the payable elements under a more favourable tax import/export scheme. Traditionally, most of these high-silver Chinese smelters operate on the spot market and not under long term offtake agreements. Furthermore, Chinese smelters provide a higher payability for the minor metals in the concentrates (including antimony) typically paying for contained copper at a percentage of the copper price (as opposed to ex-China smelters that typically pay for contained copper at lead prices). Accordingly, the Vares Silver Project's silver-lead concentrate has been priced at the average of the maximum/minimum spot settlements from 25th June 2021 at US$65 per dmt. Gold refining charges are holding at US$15 per troy ounce and whilst recent silver refining charges have settled as low as US$0.5 per troy ounce, US$1 per troy ounce has been assumed.

The silver/lead concentrate contains some deleterious elements for which penalties will be payable in the range of US$15 – US$20 per dmt.

Table 26: Silver-lead concentrate baseline assumption

Silver/Lead-lead Concentrate Baseline Assumptions	
Payable silver	95% payable (subject to minimum deduction of 50g)
Payable zinc	10% payable above 10% zinc content
Payable lead	95% payable (subject to minimum deduction of 3%)
Payable copper	100% payable at the lead price
Payable gold	US95% payable (subject to a minimum deduction of 1g)
Treatment charges	US$65 per dmt
Refining charges	Au US$15 per troy ounce, Ag US$1 per troy ounce
Inland freight	30.62 per wmt
Export freight	US$56.02 per wmt
Weight losses	0.25%
Insurance	US$4-5 per wmt
Moisture	9%

Zinc Market

The zinc market has been buoyed by strong global demand and renewed interest from investors, seeking to gain exposure to the long-term zinc price outlook. Prices have comfortably held above the long-term five-year average (2015-2020) of US$2,544, and are consolidating, despite the recent surge in (recovering) Peruvian mine output and the release of strategic stockpiles of zinc (by the Chinese government) to dampen prices. Government-led infrastructure projects and strong automobile sales are expected to keep prices steady, as the world returns to work in the second half of 2021, releasing pent up demand fuelled by record personal savings accumulated during the COVID-19 pandemic. Refined zinc demand is expected by analysts to exceed mine output in the next few years. Significant price increases are needed to encourage further investment in new mines or expansion of existing mines.

Concentrate terms have remained low during 2021, as a result of significantly lower output from South American mines (in 2020), forcing smelters to cover tonnage shortfalls. This has resulted in tightening terms significantly below the 5-year and 10-year adjusted average benchmark treatment charges of US$204 per dmt and US$211 per dmt, respectively. Higher average prices have allowed Chinese smelters in particular, to benefit from the large free metal gains in recovery as they seek to top-up domestic supplied feed by importing additional tonnes from western mines. This can be expected to continue if prices consolidate their recent gains, i.e. suppressing treatment charges, creating a healthy outlook for mines for the foreseeable future.

Lead Market

Increasing pressures by governments to force greater recycling of lead products has seen lead prices challenged by a commensurate increased secondary supply. This has dampened prices relative to the surges seen in copper, nickel and zinc, where increased demand has driven prices markedly higher. Despite these headwinds, lead has continued to consolidate its recent gains and traded on a spot basis significantly above the 10-year average of US$2,079 per tonne.

Terms for spot high silver-lead concentrates have remained below the 5 and 10-year average silver-lead Benchmark terms of US$127 per dmt and US$172 per dmt, respectively. With limited supply increases in primary lead supply foreseen, smelters are expected to be continually challenged with securing long-term supplies at reasonable treatment charges.

Silver Market

Following the surge in prices in the second half of 2020, silver has spent most of 2021 consolidating its gains. Silver benefits from both industrial demand and its precious metal investment status. There has been increased physical demand from its use in the renewable energy sector, particularly photovoltaic cells and EV charging infrastructure. However, partial substitution by copper and aluminium in the next five years in this sector is likely to marginally weaken the longer-term demand outlook as the overall volume of this sector increases.

Despite this, prices have remained above the 10-year (2010-2020) average of US$21.05 per troy ounce and recent inflationary pressures bode well for its precious metal status as investors seek to migrate from bonds into fixed assets.

INFRASTRUCTURE & LOGISTICS

Rupice Surface Infrastructure and Vares Processing Plant sites are located approximately 8.7 km west-north-west and 3.5 km east of the town of Vares, respectively, which is 35 km north-north-west of the capital city Sarajevo.

The Vares Processing Plant site is accessed from the main sealed road (R444) connecting the town of Vares to the capital city of Sarajevo. From the R444, a secondary sealed road runs east, past Tisovci village, and to the site.

The Vares Processing Plant’s dedicated access road from the public road has recently been upgraded by the Company.

Rupice Surface Infrastructure site is largely a greenfield site, located 1.5 km from the nearest small village of Borovica Gornja. No infrastructure currently exists at Rupice. It is currently accessed from the main sealed road, travelling north from Sarajevo on the R444 and then turning west onto the R444a, north of Vares. From the R444a, a secondary sealed road accesses the village of Borovica Gornja.

There are no waterways or channels within close proximity to the project area and all construction material, equipment and consumables will be transported via rail or heavy truck and trailer from point of supply in Europe or Ploce port located on the coast of Croatia.

Power Supply

Power for the Rupice Surface Infrastructure will be provided from a new, buried 35 kV powerline which will run from Vares Majdan regional sub-station, follow the route of the new haul-road between Rupice Mine and Vares Processing Plant and be terminated at a new Rupice sub-station. The cost of this new power supply from the Vares Majdan sub-station will be for the Project. Modifications at the Vares Majdan sub-station will be covered by the power supply company, JP Elektroprivreda BiH d.d, who completed a study for the work which was subsequently fully costed by the local contractor.

From the new sub-station at Rupice, power is reticulated at 10 kV on overhead powerlines to the Rupice Surface Infrastructure, Underground Mine, backfill plant and crushing plant. The electricity supply underground is at 1,000 V.

At the Vares Processing Plant, the existing 35 kV overhead powerline supplying the historic site will be upgraded, new incoming transformers will be installed and feeders to the main processing plant sub-station and other ancillary supplies will be provided at 10 kV.

In addition to the supply of equipment, a connection fee is payable at both locations at a rate of BAM 140 per kW.

Water Supply

Water supply for Rupice Surface Infrastructure will come from the Studenac stream near Pogar. The site was previously a source of water for the town of Vares. It will be operated by JKP Vares d.o.o., the local municipal contractor and supply water to Rupice Site Infrastructure via a new pump and 5 km long pipeline.

The existing municipal water supply to the Vares Processing Plant site will be utilised for supply of all water for the plant and infrastructure operations.

Both sites can supply sufficient water to meet the needs at the sites.

Fire Water

At Rupice Surface Infrastructure, a fire water ring main with hydrants will be provided around the site with hydrants at 50 m intervals and 50 m firehoses provided. The system will be fed from a fire-pump arrangement with electrical, diesel pumps and a jockey pump located at a dedicated fire water tank. The design of the system has been completed by a design institute in Bosnia & Herzegovina to both local and international standards. Buildings and vehicles will be equipped with fire extinguishers.

At the Vares Processing Plant site, a fire water ring main with hydrants will be provided around the site with hydrants at 50 m intervals and 50 m firehoses provided. The system will be fed from the municipal water supply pipeline which provides sufficient flow and is in turn supplied from a hill-side water tank of sufficient size. The design of the system has been completed by a design institute in Bosnia & Herzegovina to both local and international standards. Buildings and vehicles will be equipped with fire extinguishers.

Sewage

At Rupice Surface Infrastructure, a containerised sewage treatment plant will be provided and an all-new sewerage reticulation system.

At the Vares Processing Plant site, there is an existing sewerage reticulation system with septic tanks and a soak away. It was inspected and cleaned out in 2020. The new facilities will tie-in to this existing system. Staffing numbers are expected to be less than was here for the historic operations.

Haul-road

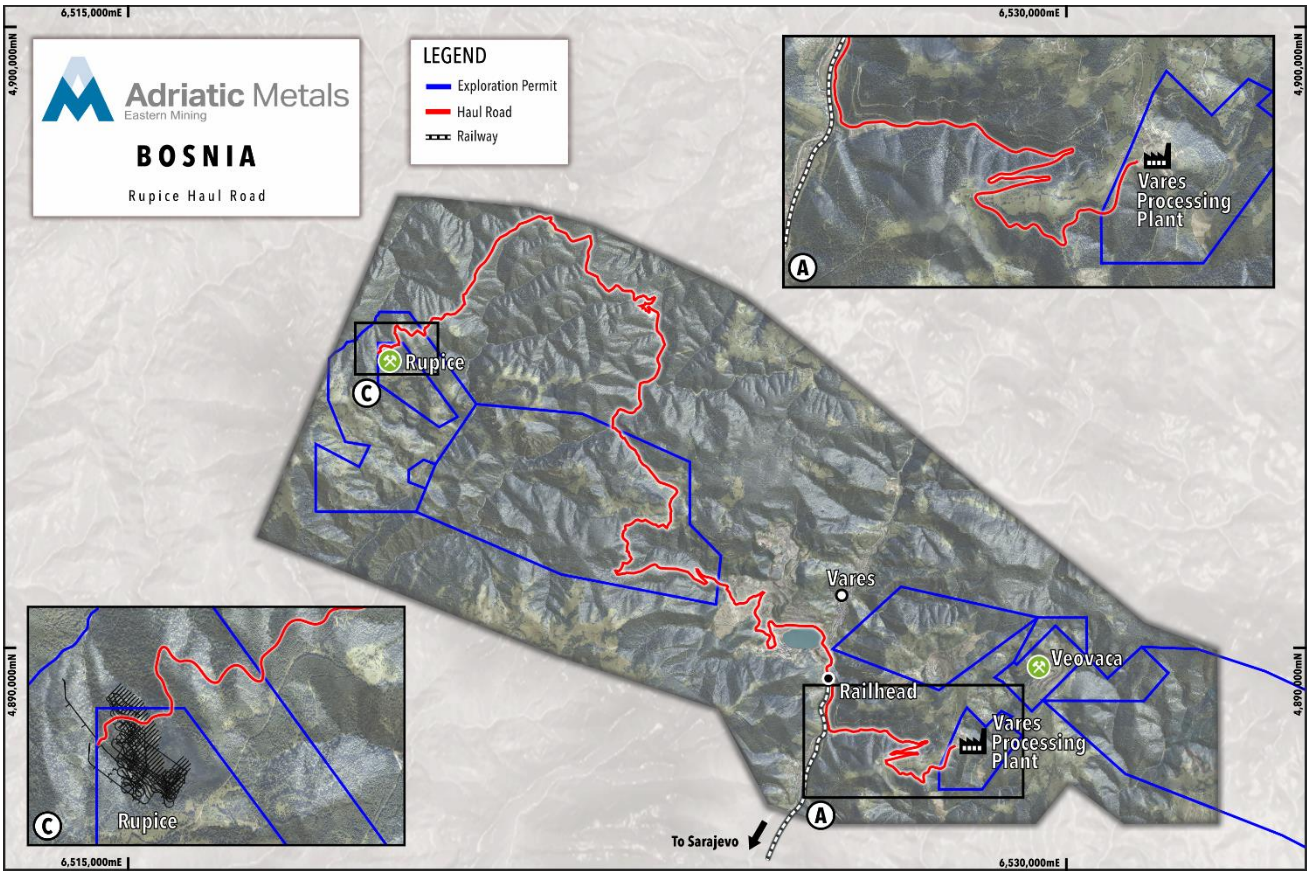
A new haul-road of 24.5 km will be built for transporting crushed ore and dewatered tailings between the Rupice Surface Infrastructure and the Vares Processing Plant, as well as transporting full and empty concentrate containers between the Vares Processing Plant to the Vares Railhead. It is also planned that shipments of reagents, consumables, spare parts etc. will be delivered in containers to the railhead for onward movement to Rupice Mine and Vares Processing Plant using the haul-road.

The haul-road will consist of sealed and unsealed sections, which by-pass villages and dwellings as well as the town of Vares. The 24.5 km of haul-road will be made up of both newly constructed (15.5 km) and upgraded (9 km) sections. It will be permitted, constructed and owned by the Municipality of Vares, and the Company will provide funding and oversight of its construction and ongoing maintenance during life of mine.

The haul-road will be a restricted use road, meaning that whilst open to the public there will be adequate warnings that it is used by mining trucks.

The Rupice Surface Infrastructure site will be accessible all year round, except for occasional days in winter following high snowfall events until all roads can be cleared. JKP Vares will be responsible for snow clearance of the road. Sufficient stockpile capacity exists on each site to ensure continuity of operations.

Figure 12: Topography map showing the haul-road route between Rupice and Vares Processing Plant



Product Loadout and Vares Railhead

The Vares Railhead is the former site of the Droskovac Railway Station, located between the town of Vares and Vares Majdan. The Railways Federation Bosnia and Herzegovina ("Railways FBiH") own the railway line and rail infrastructure in Vares. The Company proposes to use the land surrounding the Droskovac Railway Station for temporary storage and loading of containers onto the wagons.

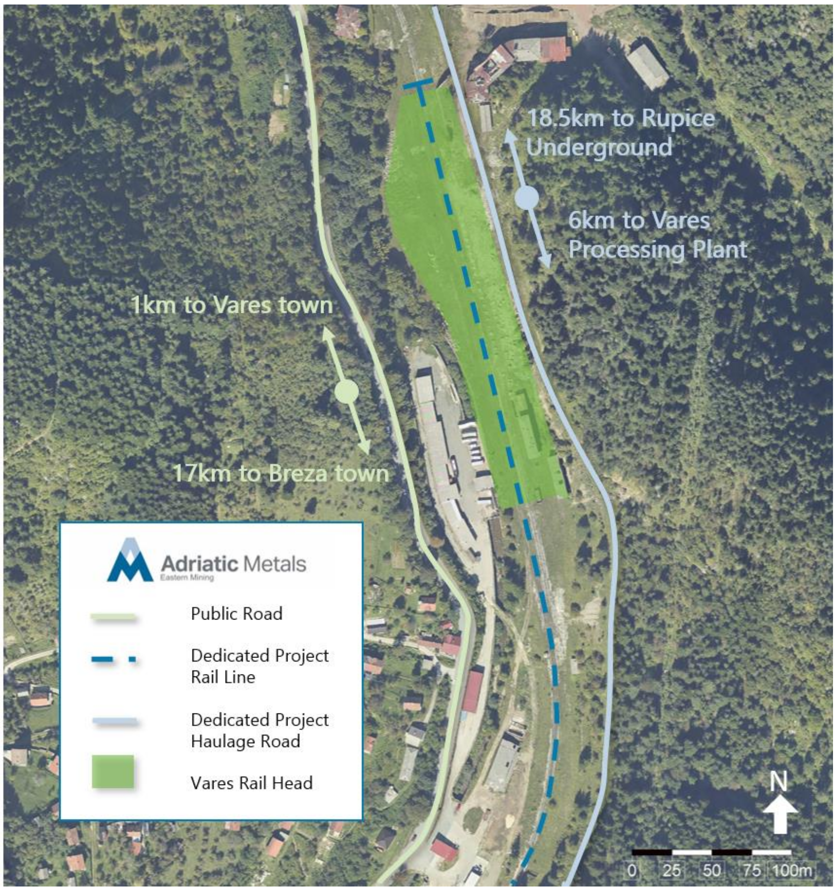
A scoping study for the design of the 4,000 m^2 Vares Railhead facility has been completed and detailed engineering is underway for the refurbishment of the sidings, erection of security fences and lighting, concrete pads for container storage and site offices.

The silver-lead and zinc concentrates will each be loaded into lined Twenty-foot Equivalent Unit ("TEU") containers at the Vares Processing Plant. They will then be transported 6 km downhill along the haul-road to the Vares Railhead, where the containers will be either stored or cross-loaded directly by reach-stackers onto awaiting rail wagons. A one-way traffic circuit will be implemented by linking up with the haul-road that runs above and parallel to the eastern boundary of the Vares Railhead.

A maximum of 900 wet metric tonnes of concentrate, stored in containers (36 containers, each containing 25 t of concentrate), can be transported by rail with each rail movement.

Initial negotiations have been conducted with the Ministry of Finance for the designation of the Vares Railhead as a customs free zone, and an application will be made in due course.

Figure 13: Plan View of the Vares Railhead



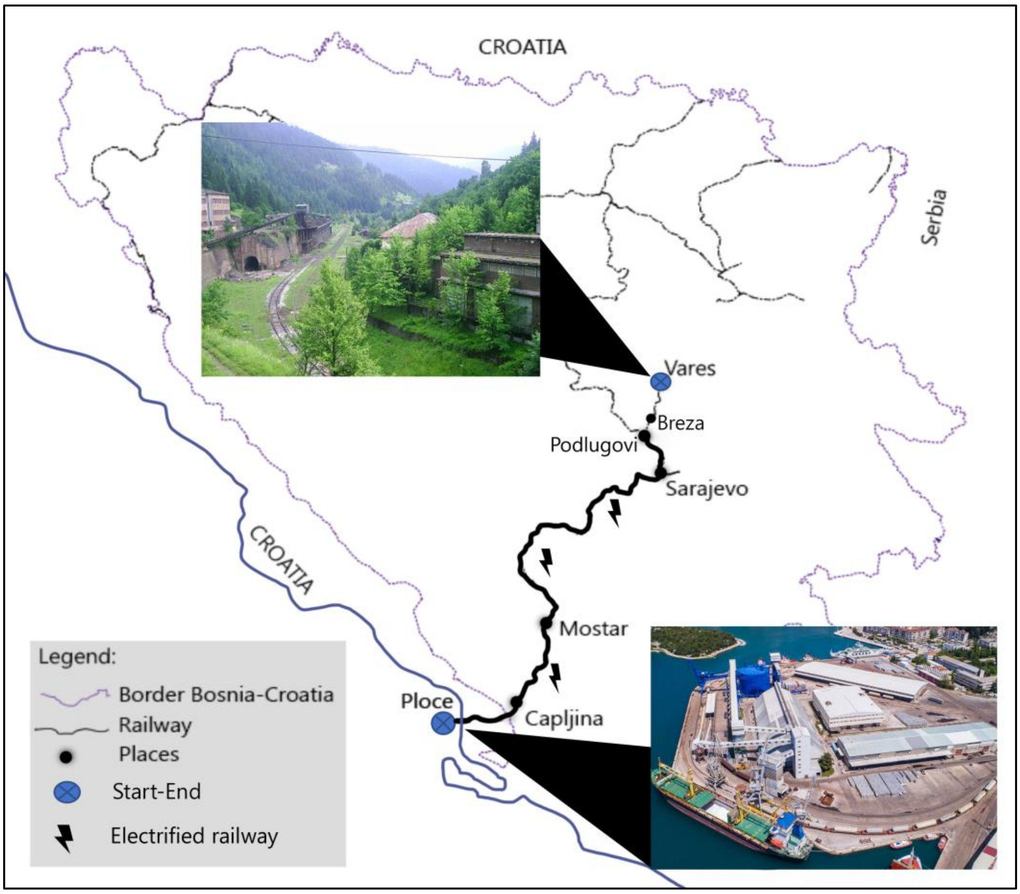
Rail

The rail journey from the Vares Railhead to the Ploce Port passes through three locations where locomotives will be changed according to the line requirements.

The first 25 km section of the line from Vares to Podlugovi uses diesel locomotives and was last used in 2012. This section of line requires upgrading in places. Railways FBiH have surveyed the route and consider this to be easily completed within a short timescale. The Company has an agreement with BiH Railways that the Company provides them with three months' notice prior to use and in-turn Railways FBiH will complete the upgrade work within two months.

The remaining journey to the Ploce Port will be on electrified lines, with regular other freight traffic until final exchange at the Bosnian/Croatian border to the port's own diesel engines. The complete journey from the Vares Railhead to the Ploce Port will take approximately 10 hours. Commercial terms have been agreed with Railways FBiH, including the design and consequent refurbishment of the Vares Railhead.

Figure 14: Map of the rail route from Vares to Ploce



Port

Ploce Port is located on the Croatian Adriatic coast, located near the mouth of the Neretva River. It has extensive railway sidings, dedicated road and rail access, modern security measures and provides full stevedoring services. It is a sheltered deep-water port, with depth of up to 17.8 m, allowing vessels as large as Capesize (100,000 dwt) to berth. The container terminal has a length of 280 m and depth of 14 m. The port operates 24/7 362 days a year. All the main thoroughfares and terminals are floodlit. The port benefits from a large, well equipped, dedicated fire service.

Figure 15: Aerial view of the Ploce Port. The container terminal is on the left-hand side. The other 4 quays are bulk terminals. (Photo: Wilhelmsen Ship Service 2021)

Ploce Port has been the recipient of recent funding from both EBRD and IFC. The funding provided an infrastructure upgrade, which included increasing the container terminal annual capacity to 60,000 TEU, with a new TEREX crane (as shown in Figure 16), Hyster reach stackers as well as other new plant and vehicles. On average the container port is serviced by 1.5 Adriatic Feeders ships per week at a loading rate of 20 TEUs per hour.

The port's container terminal is operating at just under 50% of capacity. In 2020, port container traffic was approximately 28,000 TEU. In recent years the peak traffic was 35,124 TEU in 2008. There is more than adequate capacity for the concentrates produced by the Vares Processing Plant. During the peak year, the Vares Silver Project will require 7,520 TEU of capacity.

The Company have finalised commercial negotiations with the port operator for the costs associated with the loading and discharging of containers and bulk shipments. Containers will be unloaded from the train to a secured container storage facility and placed into stacks in preparation for onward shipping to their final destination. The railway siding for loading/unloading containers is easily accessible, well maintained and located 150 metres from the container storage facility.

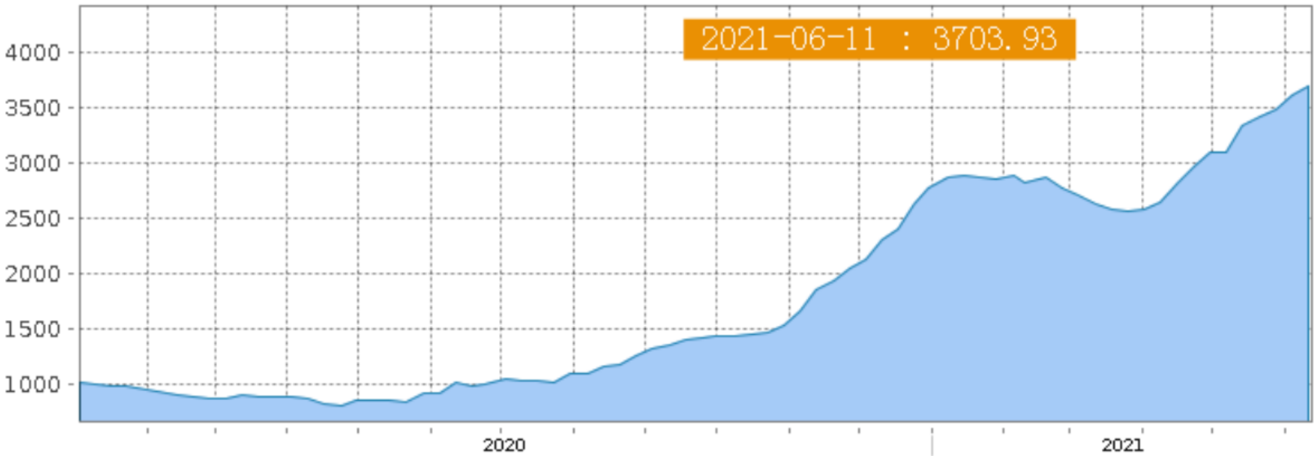
The bulk terminal is similarly under-utilised, currently only supporting coal cross-decking and scrap steel exports. Historically, bulk cargoes shipped through the Ploce Port have included bauxite, iron ore, lead and zinc concentrates. Therefore, the option exists to ship the concentrates though the bulk terminal.

Figure 16: Loading of an Adriatic Feeder at the Ploce Port. Source: Adriatic Metals

Sea Freight

The Company contracted an independent shipping consultant to provide analysis of the shipping markets, targeting a list of ports derived from the negotiations with the potential off-takers. A ship broker also provided contemporary shipping rates. Broadly the independent analysis ascertained high intra-Europe container rates, but economic Main Port China ones and economic intra-Europe bulk rates. The broker, however, provided far more competitive European rates. It is highly likely that improvements can be made if shipments are made to one port, allowing the negotiation of a Contract of Affreightment (discount for volume).

Chart 8: Shanghai Containerized Freight Index (June 2021)



Average containerised freight costs have increased by circa 350% since 1 January 2020. The main drivers of containerised freight cost increases can be summarised as follows:

- The upward super-cycle is being driven by a switch in consumer spending away from tourism, hospitality and travel, towards consumer durables, increasing trade demand significantly during the COVID-19 pandemic.
- Logistics and port bottlenecks and supply chain delays caused by reduced productivity at ports and terminals, warehousing and distribution networks associated with staff shortages resulting from the COVID-19 pandemic.
- Following from above, container movements are taking longer and access to empty equipment (containers) has become increasingly difficult.
- The surge in demand to secure empty equipment for export bookings has resulted in higher prices and further impacted supply chain delays.
- Port disruption in Southern China, mainly Shenzhen and Guangdong manufacturing hubs, with port productivity in the region being significantly impacted (negatively) by transmission of COVID-19 pandemic, with some ports being forced to close for periods of time.
- The Suez Canal blockage earlier this year disrupted supply of equipment and vessel space.

The independent consultant expects shipping lines to maintain a portion of the recent gains in the longer term. Liner shipping companies may be reluctant to see the current strong earnings erode quickly and it is expected that freight costs will remain relatively high in the medium term as liner companies marginally reduce freight rates when the COVID-19 pandemic situation eases. When supply chain disruptions ease circa 2022 and post-pandemic consumer spending begins to normalise, the consultant expects container freight costs to fall by ~10-20%, and from 2023 onwards, container freight levels to increase in line with average inflation levels.

ENVIRONMENTAL & SOCIAL

Adriatic Metals has committed to ensuring that the Vares Project will comply with international best practice regarding environmental and social standards. As such, Adriatic Metals engaged Wardell Armstrong International ("WAI") to undertake an Environmental, Social and Health Impact Assessment ("ESHIA") in conformance with the European Bank for Reconstruction and Developments ("EBRD") environmental and social policy, including the Performance Requirements ("PRs"). The Project is now fully permitted with regards to environmental requirements.

An Environmental and Social Scoping Study was developed and finalised in January 2020. Alongside this, a 12-month period of baseline data collection took place and the ESHIA developed. WAI worked closely with the Project team and engineers to integrate the mitigation hierarchy into the project design.

Baseline studies utilised local consultants and contractors where possible and have covered air quality, noise, soils, biodiversity, hydrology, hydrogeology, geochemistry, landscape and visual impact assessment, social aspects, human rights, traffic, ecosystem services, and archaeology and cultural heritage across the defined Project area of influence.

As far as possible, environmental measures have been integrated into the Vares Silver Project design, ensuring the application of the mitigation hierarchy, where avoidance of potential impact is the preferred option. The proximity of Vares Processing Plant to residential dwellings in Tisovci means that multiple phases of noise modelling have been undertaken. The fabric and noise retention of Vares Processing Plant buildings have been determined, as well as the requirement for a 5.2 m noise barrier on the north-western and northern edges of the plant site. Without these integrated mitigations noise emissions would be above the maximum allowable under local and international requirements.

Water engineering and geochemistry aspects represent a critical overlap between the engineering studies and the ESHIA. Certain aspects, namely the TSF, mine waste management, contact and storm water management and the collection and treatment of acid rock drainage and metal leaching at Rupice have been designed in collaboration with environmental specialists and project engineers.

A biodiversity and ecosystem services assessment have been undertaken as part of the ESHIA. Whilst there are no protected areas that will be directly impacted from the Project, biodiversity mitigation will be required to ensure no net loss ("NNL") is achieved, in accordance with EBRD PR6. A biodiversity management plan is being developed to outline the required mitigation, and Adriatic Metals are committed to establishing suitable areas and programmes for ensuring the biodiversity offset requirement is met for the Project.

In accordance with EBRD PR3, Adriatic Metals have worked to integrate best available techniques and Good International Industry Practice ("GIIP") to optimise resource use and efficiently prevent and control release of pollutants into the environment. Land clearance and tree felling has been minimised as far as possible and modern energy efficient equipment and mobile plant has been selected. A company park and ride scheme will be in place to reduce employee transport emissions and to reduce the risk to community health & safety. A 32.4 kWp roof-mounted solar PV array has been included at the Vares Processing Plant administration building expected to save at least 20.6 tCO2e per year.

The Green House Gas ("GHG") assessment calculated the relative emissions of the project compared to other extractive processes to determine whether the emissions in this instance are higher or lower than 'typical'. Using the 2020 JORC figures of indicated and inferred contained metals and emissions factors and embodied emissions factors from a variety of sources including the World Gold Council, it can be shown that the predicted Scope 1 & 2 emissions for this site (575.4 kt CO_2e) equate to only 2.67% of the embodied Scope 1, 2 & 3 emissions that would be expected for this quantity of metal production, were it to be produced elsewhere from a typical source (21,551.4 ktCO_2e). 2.67% is at the lower end of comparative figures per unit produced. It is concluded that, although emissions are significant in absolute terms, in relative terms per unit of metal recovered they are not considered significant. The reasons for this are assumed to be because there are so many varieties of metals being produced from this ore that production efficiencies, economies of scale and reduced waste per unit production are likely to be lowering the GHG effects on a unit basis. Another factor is that this is an underground mine rather than an open pit, hence there are lower volumes of waste rock production and haulage. Efficiency improvements also arise from vehicle movements: rather than using two fleets of trucks, one for ore and one for waste, the same fleet will be used for both activities, so it operates fully laden for up to 100% of the time, with the bulk of the tailings returned to the underground mine. This helps reduce unnecessary emissions despite the length of the haul route.

A set of management plans are being developed alongside the ESHIA, to capture the mitigation measures and commitments to reduce impacts in the ESHIA and ensure that the Project upholds environmental standards, in accordance with international best practice and local legislation. GIIP will be applied across operations and stipulated within contractual arrangements. The plans are initially being developed for the construction period and will later be adapted to cover operations.

Stakeholder engagement and consultation has been ongoing ESIA development to gather opinions and to share information. The Information Centre was established in Vares in 2019 and acts as a central point for local stakeholders to obtain information and raise concerns or questions with Eastern Mining. A Stakeholder Engagement Plan ("SEP") and grievance mechanism has been disclosed for the Project. The SEP will be updated as the Project evolves and is available in both English and Bosnian on the Adriatic Metals and Eastern Mining websites. A Public Liaison Committee was established during 2020 and now meets quarterly; members are representative of all local communities in the region, as well as of local government, business owners and religious groups.

Throughout the ESHIA process it is evident that the local communities are supportive of the Project and the associated anticipated direct and in-direct economic opportunities that it may bring. Local procurement including goods and services is a key focus for the Adriatic team as well as giving priority to local hiring. Community development has been formalised for the Project through the Adriatic Foundation ("Foundation"). The Foundation supports and promotes local sustainable socio-economic development, with a particular focus on the communities associated with Adriatic's operations. The Foundation is a consultation body that channels social investment in an effective and responsible manner in order to leave lasting positive legacies. It supports programmes and projects that have long-term development impact, particularly in the areas of education, environmental protection, and healthcare.

Land acquisition is required for the development of Rupice Surface Infrastructure and the TSF. Adriatic Metals are committed to aligning with BiH/FBiH law as well as applicable international best practice standards (EBRD's PR5) regarding land acquisition. Impacts to land acquisition have been assessed through an interactive process across the project inception and design period. Certain design choices, such as the routing of the haul road and positioning of the TSF have been optimised to avoid and minimise the impact of land acquisition. A Land Acquisition, Compensation and Livelihood Restoration Plan ("LACLRP") has been developed which defines the legal and regulatory framework to which the plan has been designed, project displacement impacts to land owners and vulnerable groups and the implemented strategy, mitigation and monitoring procedures. Land identified currently for acquisition is pastoral and forestry land, no residential properties requiring acquisition have been identified.

Environmental and Social aspects are managed on site by a dedicated team based at Vares Processing Plant, the manager of which reports directly to the Managing Director & CEO. Several policies pertaining to environmental and social aspects have been developed and implemented by Adriatic and are available on the corporate website. The Board of Adriatic has established an Environmental Social & Governance committee to oversee and advise on policy implementation. Governance policy aspects are also addressed at the corporate level and will apply to all subsidiary companies.

A framework for mine closure has been developed for the Vares Silver Project. The closure plan considers relevant legislation of BiH as well as international best practice, namely that of the International Council for Metals and Mining. The plan covers the complete closure and rehabilitation of Rupice, the remediation of Vares Processing Plant to a state suitable for light industry and the closure and rehabilitation of the TSF. The costings consider physical closure, aftercare, and social closure requirements.

NEXT STEPS

Following the completion of the 2021 DFS, the Company will progress the following workstreams:

- Establish temporary access to the three portal locations at Rupice Surface Infrastructure
- Commence excavation works and establish suitable working faces for all three portals
- Commence underground decline development at all three portals
- Complete negotiation of Engineering and Procurement contractor tenders and award contract
- Commence early engineering and procurement of long lead items (e.g. ball mill, flotation cells etc)
- Prepare RFP documentation for major construction contracts (concrete, steel, mechanical/ platework/ piping, electrical & instrumentation), negotiate tenders and award contracts
- Issue mining contractor, haul-road and major earthworks RFP documents, adjudicate and award contracts, mobilisation of mining and earthworks contractors, start of work on haul-road
- Continue metallurgical and geo-metallurgical modelling test work to further optimise grade, recovery and NSR calculations.

Authorised by, and for further information, please contact:

Paul Cronin

Managing Director & CEO
info@adriaticmetals.com

-ends-

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

For further information please visit www.adriaticmetals.com, @AdriaticMetals on Twitter, or contact:

Adriatic Metals PLC	
Paul Cronin / Thomas Horton	Tel: +44 (0) 7866 913207
Canaccord Genuity Limited (Joint Corporate Broker)	
Jeremy Dunlop (Australia)	Tel: +61 2 9263 2700
James Asensio (UK)	Tel: +44 (0) 207 523 8000
RBC Capital Markets (Joint Corporate Broker)	
Marcus Jackson / Jamil Miah	Tel: +44 (0) 20 7653 4000
Stifel Nicolaus Europe Limited (Joint Corporate Broker)	
Ashton Clanfield / Callum Stewart	Tel: +44 (0) 20 7710 7600
Tavistock Communications Limited	
Charles Vivian	Tel: +44 (0) 7977 297 903
The Capital Network	
Julia Maguire / Lelde Smits	Tel: +61 2 8999 3699

FORWARD LOOKING STATEMENTS

Some statements in this document may be forward-looking statements. Such statements include, but are not limited to, statements with regard to capacity, future production and grades, projections for sales growth, estimated revenues and reserves, targets for cost savings, the construction cost of new projects, projected capital expenditures, the timing of new projects, future cash flow and debt levels, the outlook for minerals and metals prices, the outlook for economic recovery and trends in the trading environment and may be (but are not necessarily) identified by the use of phrases such as "will", "expect", "anticipate", "believe" and "envisage".

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and may be outside Adriatic Metals' control. Actual results and developments may differ materially from those expressed or implied in such statements because of a number of factors, including levels of demand and market prices, the ability to produce and transport products profitably, the impact of foreign currency exchange rates on market prices and operating costs, operational problems, political uncertainty and economic conditions in relevant areas of the world, the actions of competitors, activities by governmental authorities such as changes in taxation or regulation.

PRODUCTION TARGETS AND FORECAST FINANCIAL INFORMATION

The material assumptions used in the estimation of the Production Target and associated forecast financial information are set out in this announcement, as well as the Vares Silver Project Mineral Resource Estimate for Rupice as of 1 September 2020 and the Veovaca Mineral Resource Estimate as of 18 July 2019.

The Ore Reserve and Mineral Resource Estimates underpinning the Production Target were prepared by a Competent Person in accordance with the JORC Code 2012.

The Production Target is underpinned solely on Probable Ore Reserves (100%).

COMPETENT PERSONS STATEMENT

The Mineral Resource estimate for the Rupice underground deposit comprising part of the Vares Silver Project was announced in accordance with ASX Listing Rule 5.8 on 1 September 2020. The Company confirms that it is not aware of any new information or data that materially affects the information included in the previous announcement and that all material assumptions and technical parameters underpinning the estimate in the previous announcement continue to apply and have not materially changed.

The information in this report that relates to Ore Reserves is based on information compiled by Mr John Battista and Mr Simon Grimbeek, both of whom are Competent Persons and Members of the Australasian Institute of Mining and Metallurgy. Both Mr Battista and Mr Grimbeek are currently employed by Mining Plus. Mr Battista and Mr Grimbeek both have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are 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). Mr Battista and Mr Grimbeek consent to the disclosure of information in this report in the form and context in which it appears.

ABOUT ADRIATIC METALS

Adriatic Metals PLC (ASX:ADT, LSE:ADT1, OTCQX:ADMLF) is a precious and base metals developer that is advancing the world-class Vares Silver Project in Bosnia & Herzegovina, as well as the Raska Zinc-Silver Project in Serbia.

The Vares Project 2021 Definitive Feasibility Study boasts robust economics of US$1,062 million post-tax NPV8, 134% post-tax IRR and a capex of US$168 million. Adriatic is the only publicly listed mining company exploring in Bosnia and Herzegovina and is leveraging its first-mover advantage. The Company is well-funded and concurrent with advancing the construction of the Vares Silver Project, continues to explore across its large, highly prospective 41km^2 concession package.

Adriatic Metals completed the acquisition TSX-listed Tethyan Resource Corp. in Q4 2020, which contained the Raska Zinc-Silver Project in southern Serbia. The Company is exploring across its 99km2 highly prospective concession area, which includes around the formerly operating Kizevak and Sastavci polymetallic mines.

ABOUT MINING PLUS

Mining Plus is a leading mining technical services provider that specialises in geological, mining engineering, geotechnical engineering, mine ventilation and operational management. Mining Plus is part of the Byrnecut Group of Companies. Byrnecut is one of the world's leading underground mining contractors.

ABOUT WARDELL ARMSTONG INTERNATIONAL

Wardell Armstrong are a multidisciplinary Environmental, Engineering, and Mining consultancy working in the Infrastructure & Utilities, Property & Development, and Mining & Minerals Sectors. Its history dates back over 180 years and has a reputation for high quality service, both in the UK and internationally.

ABOUT AUSENCO

Ausenco is a global company based across 26 offices in 14 countries, with projects in over 80 locations worldwide. Combining deep technical expertise with a 30-year track record, Ausenco delivers innovative, value-add consulting studies, project delivery, asset operations and maintenance solutions to the mining & metals, oil & gas and industrial sectors.

ABOUT BLUEQUEST RESOURCES

Bluequest Resources is a leading commodity trading house, active in the global physical trade of refined non-ferrous metals, minerals, non-ferrous and precious metal concentrates. Founded in 2004, Bluequest is well positioned to serve the global metals market from its headquarters in Switzerland and offices and representatives worldwide.

DISCLAIMER

Forward-looking statements are statements that are not historical facts. Words such as "expect(s)", "feel(s)", "believe(s)", "will", "may", "anticipate(s)", "potential(s)"and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to statements regarding future production, resources or reserves and exploration results. All of such statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond the control of the Company, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include, but are not limited to: (i) those relating to the interpretation of drill results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations, (ii) risks relating to possible variations in reserves, grade, planned mining dilution and ore loss, or recovery rates and changes in project parameters as plans continue to be refined, (iii) the potential for delays in exploration or development activities or the completion of feasibility studies, (iv) risks related to commodity price and foreign exchange rate fluctuations, (v) risks related to failure to obtain adequate financing on a timely basis and on acceptable terms or delays in obtaining governmental approvals or in the completion of development or construction activities, and (vi) other risks and uncertainties related to the Company's prospects, properties and business strategy. Our audience is cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof, and we do not undertake any obligation to revise and disseminate forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of or non-occurrence of any events.

APPENDIX 1: JORC TABLES

Section 1 Sampling Techniques and Data

Criteria	JORC Code Explanation	Commentary
Sampling techniques	*Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.*	PQ3 and HQ3 diamond core was cut in half to provide a sample for assay typically weighing around 4-6kg. Samples were submitted to the ALS facility in Bor, Serbia for industry standard analytical analysis.
	Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.	The half core and weight of the sample is sufficiently representative. No calibration of any equipment was required as all samples were sent for assay by a commercial laboratory.
	Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.	PQ3 and HQ3 diamond core was used to obtain nominally 1m samples from which 4-6kg of material was pulverised to produce sample for fire assay, ICP-MS and X-ray Fluorescence (XRF).
Drilling techniques	*Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	All the holes were diamond drilled from the surface using PQ3 and HQ3 diameter core. Drilling was undertaken by using crawler mounted diamond core rigs capable of drilling to depths of 800 m (HQ). The rig drilled HQ3 and core held in the core barrel by a stainless steel "split" inner tube. The use of the inner tube ensured that all core maintained its orientation prior to removal into the core trays. Drill core was stored in suitable core boxes and racked inside at the Vares Processing Plant office-warehouse complex. All holes were surveyed downhole generally at or around 30 m intervals.
Drill sample recovery	*Method of recording and assessing core and chip sample recoveries and results assessed.*	All core was logged for geology and RQD with recovery in the mineralised and sampled zone greater than 90%. The PQ3 and HQ3 diameter and sampling of half core ensured the representative nature of the samples. There is no observed relationship between sample recovery and grade, and with little to no loss of material there is considered to be little to no sample bias.
	Measures taken to maximise sample recovery and ensure representative nature of the samples.	
	Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	
Logging	*Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.*	Diamond drill core samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. Not all drill holes penetrated the massive sulphide mineralisation, but all were used to guide the geological interpretations supporting the Mineral Resource estimates.
	Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.	All core is photographed, and logging is qualitative.
	The total length and percentage of the relevant intersections logged.	All core is logged.
Sub-sampling techniques and sample preparation	*If core, whether cut or sawn and whether quarter, half or all core taken.*	The diamond core was cut in half using a diamond saw. Nominally 1 in 30 samples was cut in quarters, and both halves analysed (for purposes of field duplicates).
	If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.	Not applicable, as all samples are core.
	For all sample types, the nature, quality and appropriateness of the sample preparation technique.	Collection of around 4-6kg of half core material with subsequent pulverisation of the total charge provided an appropriate and representative

Section 1 Sampling Techniques and Data

Criteria	JORC Code Explanation	Commentary
		sample for analysis. Sample preparation was undertaken at the ALS laboratory in Bor, to industry best practice.
	Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.	Whole rock blanks and certified standards (~1 in 15) were introduced to the sample run to ensure laboratory QAQC. Additionally, industry best practice was adopted by ALS for laboratory sub-sampling and the avoidance of any cross contamination.
	Measures taken to ensure that the sampling is representative of the in-situ material collected, including for instance results for field duplicate/second-half sampling.	The half core sampling is considered a reasonable representation of the in-situ material. Nominally 1 in 30 samples were cut in quarters, and both halves analyses (for purposes of field duplicates).
	Whether sample sizes are appropriate to the grain size of the material being sampled.	Sample size of around 4-6kg is considered to be appropriate to reasonably represent the material being tested.
Quality of assay data and laboratory tests	*The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.*	Analyses were undertaken at the accredited laboratory of ALS in Bor, Serbia which has full industry certification. Multi elements were assayed by an ICP-AES technique following a four-acid digest. Gold was determined using a fire assay on a nominal 50g charge. Barite was determined from a lithium borate fusion followed by dissolution and ICP-AES analysis. Total sulphur was determined by Leco. All techniques were appropriate for the elements being determined. Samples are considered a partial digestion when using an aqua regia digest.
	For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.	There was no reliance on determination of analysis by geophysical tools.
	Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.	Certified Reference Material ("CRM") appropriate for the elements being analysed were added at a rate better than 1 in 15. All results reported by ALS on the CRMs were better than 2 standard deviations (2SD), it is considered that acceptable levels of accuracy have been achieved. Additional lab checks were sent to SGS in Bor. To date,154 samples were submitted for check assaying from within the mineralised drill intercepts. The check assays correlated within tolerance to the original ALS assays.
Verification of sampling and assaying	*The verification of significant intersections by either independent or alternative company personnel.*	There has been no independent logging of mineralised intervals, however, it has been logged by several company personnel and verified by senior staff.
	The use of twinned holes.	No exploration results are reported.
	Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.	Data is stored on the Virtual Cloud and at various locations including Vares, Bosnia & Herzegovina and Cheltenham, UK. And is managed by gDat data solutions in an acQuire database, which is regularly backed-up.
	Discuss any adjustment to assay data.	No adjustments were necessary.
Location of data points	*Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.*	Sampling sites were surveyed using Total Station to better than 0.05m accuracy in the local BiH coordinate system.
	Specification of the grid system used.	The grid system used MGI 1901 / Balkans Zone 6.
	Quality and adequacy of topographic control.	The topographic surface of the immediate area was generated from a LiDAR survey to an accuracy of approximately 0.05m. It is considered sufficiently accurate for the Company's current activities.
Data spacing and distribution	*Data spacing for reporting of Exploration Results.*	No exploration results are reported.
	Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.	Drill hole spacing is deemed sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource classifications applied.
	Whether sample compositing has been applied.	Sample composite was not employed.
Orientation of data in relation to geological structure	*Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.*	The drill holes are considered to be reasonably orthogonal to the interpreted dip of the mineralisation, or close to it.
	If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to	It is not considered that the drilling orientation has introduced a sampling bias, as the drilling is considered to be orthogonal to the strata bound mineralisation, or close to it.

Section 1 Sampling Techniques and Data

Criteria	JORC Code Explanation	Commentary
	have introduced a sampling bias, this should be assessed and reported if material.	
Sample security	*The measures taken to ensure sample security.*	Chain of Custody of digital data is managed by the Company. Physical material was stored on site and, when necessary, delivered to the assay laboratory. Thereafter laboratory samples were controlled by the nominated laboratory. All sample collection was controlled by digital sample control file(s) and hard-copy ticket books.
Audits or reviews	*The results of any audits or reviews of sampling techniques and data.*	A Site and Laboratory (ALS and SGS, Bor) visit was made by Dr Belinda van Lente, an employee of CSA Global in January 2018. There were no material issues found for the 2017 drill campaign.

Section 2: Reporting of Exploration Results

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	*Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.*	The Rupice deposit is located within the Company's 100% owned Concession, No. 04-18-21389-1/13, located 13km west of Vares in Bosnia. There are no known material issues with any third party other than normal royalties due to the State.
	The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.	The Concession is in good standing with the governing authority and there is no known impediment to the Concession remaining in force until 2038 (25 years), subject to meeting all necessary reporting requirements.
Exploration done by other parties	*Acknowledgment and appraisal of exploration by other parties.*	Modern exploration commenced with the work of Energoinvest in the late 1960s. During 1968-1969 underground development of 455m of drives and cross cuts were made, and 11 surface trenches dug for a total length of 93.5mm. Between 1980 and 1989, 49 holes were drilled for an advance of 5,690.8m. Sample material from all of these programs was routinely analysed for lead, zinc, and barite, and on occasion silver and gold. The deposit was the subject of a number of reserve estimates in the 1980s. This work is documented in many reports which are certified by those geoscientists and Institutes that undertook the work. The work is considered to be of a standard equal to that prevalent within today's exploration industry.
Geology	*Deposit type, geological setting and style of mineralisation.*	The host rocks at Rupice comprises Middle Triassic limestone, dolostone, calcareous and dolomitic marl, and a range of mostly fine-grained siliciclastic rocks including cherty mudstone, mudstone, siltstone and fine-grained sandstone. The main mineralised horizon is a brecciated dolomitic unit that dips at around 50° to the northeast and has been preferentially mineralised with base, precious and transitional metals. The Triassic sequence and has been intensely deformed both by early stage ductile shearing and late stage brittle faulting. The Rupice polymetallic mineralisation consists of sphalerite, galena, barite and chalcopyrite with gold, silver, tetrahedrite, boulangerite and bournonite, with pyrite. The majority of the high-grade mineralisation is hosted within the brecciated dolomitic unit, which is offset and cut by northwest striking, westerly dipping syn-post mineral faulting. This faulting displaces the mineralised body up to 20 metres in places. Thickening of the central portion of the orebody occurs where these faults flexure and deform. Mineralised widths up to 65 metres true thickness are seen in the central portion of the orebody. To date, the massive sulphide mineralisation at Rupice has a defined strike length of 650 metres, with an average true-width thickness of around 20 metres. However, mineralisation at Rupice still remains open towards the north and down-dip to the south.

Section 2: Reporting of Exploration Results

Criteria	JORC Code explanation	Commentary
Drill hole information	*A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* o *easting and northing of the drill hole collar* o *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* o *dip and azimuth of the hole* o *downhole length and interception depth* o *hole length.* *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	167 diamond drill holes (38,134.65m) were used for the Mineral Resource estimate. This includes 46 historical holes (5,071.8m) not drilled by Adriatic Metals. All these holes were used to support the Mineral Resource estimate. The Mineral Resource estimate conveys the tenor of grade from the drill holes.
Data aggregation methods	*In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.*	No data aggregation methods were applied.
	Where aggregate intercepts incorporate short lengths of high-grade results and longer lengths of low-grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.	Not applicable as no data aggregation methods were applied.
	The assumptions used for any reporting of metal equivalent values should be clearly stated.	Equivalent explanations are described in the body of the text.
Relationship between mineralisation widths and intercept lengths	*These relationships are particularly important in the reporting of Exploration Results.*	Exploration results are not being reported.
	If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.	The majority of the high-grade mineralisation is hosted within the brecciated dolomitic unit, which is offset and cut by northwest striking, westerly dipping syn-post mineral faulting. This faulting displaces the mineralised body up to 20 metres in places. Thickening of the central portion of the orebody occurs where these faults flexure and deform. Mineralised widths up to 65 metres true thickness are seen in the central portion of the orebody. To date, the massive sulphide mineralisation at Rupice has a defined strike length of 650 metres, with an average true-width thickness of around 20 metres. However, mineralisation at Rupice still remains open towards the north and down-dip to the south. Recent drilling by Eastern Mining was mostly inclined at between 70° and 80 ° to the southwest, perpendicular to the deposit strike, and intersected the mineralisation reasonably orthogonally.
	If it is not known and only the downhole lengths are reported, there should be a clear statement to this effect (e.g. 'downhole length, true width not known').	No exploration results are reported here.
Diagrams	*Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	Relevant maps and diagrams are included in the body of the report.
Balanced reporting	*Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high-grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	Not applicable.
Other substantive	*Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk*	No substantive exploration data not already mentioned in the report has been used in the preparation of the Mineral Resource estimate.

Section 2: Reporting of Exploration Results

Criteria	JORC Code explanation	Commentary
exploration data	*samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	
Further work	*The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).* *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	Further drilling is being undertaken for geotechnical and hydrological purposes, and extension exploration drilling. The Mineral Resource Estimate previously reported has formed the basis of this Pre-Feasibility Study, which has examined: • Mining methods • Geotechnical aspects • Hydrology • Metallurgy • Plant and infrastructure design • Transport and shipping • Environmental studies • Social impact studies Additional drilling is recommended to improve geological confidence to upgrade the resource to higher confidence categories (i.e. from Inferred Mineral Resource to Indicated Mineral Resource, and from Indicated Mineral Resource to Measured Mineral Resource to aid in future Ore Reserve estimates (in future Feasibility Studies).

Section 3: Estimation and Reporting of Mineral Resources

Criteria	JORC Code explanation	Commentary
Database integrity	*Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.*	Data used in the Mineral Resource Estimate was provided as a validated Micromine database, which in turn was sourced from a validated database prepared by Adriatic Metals. The validation routines were employed to confirm validity of data. Key files (collar, survey, geology, assay) were validated to ensure that they were populated with the correct original data. All drill holes were logged to electronic logbooks. All drill hole collar, downhole survey and geological data are stored on the Virtual Cloud and at various locations including Vares, Bosnia & Herzegovina and Cheltenham, UK. And is managed by gDat data solutions in an acQuire database. The database is updated as new data become available.
	Data validation procedures used.	The resultant database was validated for potential errors in Micromine software using specially designed processes. The following error checks were carried out during final database creation: • Missing collar coordinates. • Missing values in fields FROM and TO. • Cases when FROM values equal or exceed TO ones (FROM≥TO). • Data availability. The data availability was checked for each drill hole in the tables: – Collar coordinates – Sampling data – Downhole survey data – Lithological characteristics. • Duplicate drill hole numbers in the table of the drill hole collar coordinates. • Duplicate sampling intervals. • Duplicate downhole measurement data. • Duplicate intervals of the lithological column. • Sample "overlapping" (when the sample TO value exceeds FROM value of the next sample). • Negative-grade samples.

		Drill hole data was verified against source documentation. The surveyed drill holes were then also verified visually for consistency. **The Competent Person is satisfied that database integrity is appropriate to support Mineral Resource estimation.**
Site visits	*Comment on any site visits undertaken by the Competent Person and the outcome of those visits.*	Phillip Fox is based on-site in Vares and was responsible for planning and implementation of the recent drilling programs, overseeing the preparation of the samples and their dispatch to the various laboratories. Mr. Fox assumes responsibility for the data components, QA/QC and geological interpretation. Dmitry Pertel assumes responsibility for the grade interpolation and reporting of the Mineral Resource estimate and has previously completed a site visit.
	If no site visits have been undertaken, indicate why this is the case.	A site visit has been undertaken.
Geological interpretation	*Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.*	Sufficient drilling has been conducted to reasonably interpret the geology and the polymetallic mineralisation. The mineralisation is traceable between numerous drill holes and drill sections. Interpretation of the deposit was based on the current understanding of the deposit geology. Each cross section generally spaced 20-30 m apart was displayed in Micromine software together with drill hole traces colour-coded according to grade values. The interpretation honoured modelled fault planes and interpretation of main geological structures. The mineralised structure of the deposit was interpreted and modelled using core logging data. The low-grade halo domain was interpreted to capture all mineralised samples, and based on the current understanding of the geological model. The fault zones were interpreted and modelled using geological logging. Cut-off grades for high grade domains were 10% for Zn, 3% for Pb, 25% for $BaSO_4$, 1% for Cu, 2.5g/t for Au, and 110g/t for Ag. All cut-offs selected for interpretation were based on results of classical statistical analysis. The interpretation was independently reviewed by a consultant geologist.
	Nature of the data used and of any assumptions made.	Geological logging in conjunction with assays has been used to interpret the mineralisation. The majority of holes were sampled at 2m intervals, with some more detailed sampling conducted.
	The effect, if any, of alternative interpretations on Mineral Resource estimation.	Alternative interpretations are likely to materially impact on the Mineral Resource estimate on a local, but not global basis. No alternative interpretations were adopted at this stage of the project.
	The use of geology in guiding and controlling Mineral Resource estimation.	Geological logging in conjunction with assays and results of the statistical analysis has been used to interpret the mineralisation. Available historical maps and sections have been used to guide interpretation. All internal waste was included into the interpreted mineralised bodies.
	The factors affecting continuity both of grade and geology.	Continuity is affected by the nature of the host rocks, interpreted faults and limits of the drill holes. **The Competent Person is satisfied that the geological interpretation is appropriate to support Mineral Resource estimation.**
Dimensions	*The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.*	The strike length is about 650m and width up to 250m. The combined thickness of the mineralised zones varies from several metres to 65m. Depth below surface is from 0 to 380 m, which is the lower limit of current drilling. **The Competent Person is satisfied that the dimensions interpreted are appropriate to support Mineral Resource estimation.**
Estimation and modelling techniques	*The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.*	The Mineral Resource estimate was based on surface diamond drill core using ordinary kriging (OK) to form 5x5x5m blocks. The block model was constrained by wireframes modelled based on geology using sectional interpretation. Additional wireframing for each element for the high-grade domains within these geological wireframes (except for As, Sb and Hg) was completed. Weakly mineralised halos and fault zones used geological logging and multi-element assay data. The applied cut-off grades for high grade domains were:

Element	HG Cut-offs
S, %	10
Zn, %	10
Pb, %	3
Au, g/t	2.5
Ag, g/t	110
Cu, %	1
BaSO4, %	25

		Micromine software was used to generate the wireframes and for block modelling Hard boundaries were used between mineralised lenses at each domain. The drill hole data were composited to a target length of 2m based on the length analysis of raw intercepts. Geostatistical analysis was completed for all elements, and averaged long ranges were employed to justify the search ellipse – 102m along strike, 61m down dip and 31m across dip. Interpolation parameters were: Search pass 1: 2.5m by 2.5m by 2.5m. Minimum samples number - 1, minimum holes – 1, maximum samples number - 16. Search pass 1: 1/3 of the variogram log ranges. Minimum samples number - 3, minimum holes – 2, maximum samples number - 16. Search pass 2: 2/3 of the variogram log ranges. Minimum samples number - 3, minimum holes – 2, maximum samples number - 16. Search pass 3: Full semi-variogram ranges. Minimum samples - 3, maximum samples – 16, minimum holes 2. All subsequent search passes: incremented by full semi-variogram ranges in each direction. Minimum samples – 1, maximum samples – 16, minimum holes - 1. Block discretisation 2*2*2. The optimal parent cell size was selected in the course of block modelling based of 20x20m exploration drilling. Classical statistical analysis was used to identify grade domains for barite, gold and silver. **The Competent Person is satisfied that estimation and modelling techniques are appropriate to support Mineral Resource estimation.**
	The availability of check estimates, previous estimates and/or mine production records and whether the MRE takes appropriate account of such data.	Previous JORC-compliant Mineral Resources were estimated by CSA Global in July 2019. The current estimate is about 32% higher in tonnage and about 22% lower grades due to the modelling methodology and domaining applied. Mine production results were not available.
	The assumptions made regarding recovery of by-products.	The Rupice deposit is a silver-gold-zinc-lead-barite deposit. Previous mining and beneficiation over a four-year period have shown that a conventional sulphide flotation method is a suitable recovery method. Metallurgical test work is ongoing to optimise the process flowsheet.
	Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation).	As, Sb and Hg have been estimated in the model using their own semi-variogram models and OK interpolation method.
	In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.	The average exploration drilling spacing was 20x20m. The selected parent cell size was 5x5m (quarter the exploration density). The search was based on the results of geostatistical analysis with average for all elements long ranges of 102x61x31m.
	Any assumptions behind modelling of selective mining units.	No assumptions were made for selective mining unit, apart from the assumption that the deposit is likely to be mined by underground method and that 5x5m parent cell approximately reflects SMU for underground mining.
	Any assumptions about correlation between variables.	Correlation between some variables was very strong (for example, between silver and lead), but no assumptions were made for the modelling purposes. Correlation between bulk density and main elements ($BaSO_4$, Pb, Zn and Cu) was used to calculate bulk density for all model domains except for the combined high-grade domain.
	Description of how the geological interpretation was used to control the resource estimates.	Geological interpretation of the mineralised zone, weakly mineralised halo and fault zones was based on the geological logging. When grades within modelled wireframes for the mineralised zone had mixed populations, high-grade domain was modelled using cut-offs justified by statistical analysis. High grade domains for each element were modelled individually, except for As, Sb and Hg, which did not demonstrate mixed grade populations within the modelled mineralised zone.
	Discussion of basis for using or not using grade cutting or capping.	Classical statistical analysis was carried out for each element and each domain. It was found that histograms and probability plots did not demonstrate any apparent mixed populations within the limits of

		corresponding modelled domains. Top-cuts were identified and applied as shown in the table below:

Element	Halo	Faults	Low Grade	High Grade
S, %	20	-	-	-
Zn, %	5.0	-	-	-
Pb, %	-	-	-	-
Au, g/t	-	-	-	-
Ag, g/t	400	60	850	-
Cu, %	1.92	0.49	-	-
BaSO4, %	-	43	-	-
Sb, %	1.1	-	-	
As, %	0.42	0.39	1.66	
Hg, ppm	320	150	2,000	

	The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.	Grade estimation was validated using visual inspection of interpolated block grades versus underlying data, and swath plots. Swath plots demonstrated reasonable correlation of modelled grades with the sample composites. **The Competent Person is satisfied that estimation and modelling techniques are appropriate to support Mineral Resource estimation.**
Moisture	*Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.*	The tonnages were estimated on an in-situ dry bulk density basis which includes natural moisture. Moisture content was not estimated.
Cut-off parameters	*The basis of the adopted cut-off grade(s) or quality parameters applied.*	The reporting cut-off grade of 50g/t silver equivalent was supported by estimation of marginal cut-off for underground mining using input economic parameters and criteria. **The Competent Person is satisfied that cut-off parameters were appropriately considered, to support Mineral Resource estimation.**
Mining factors or assumptions	*Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.*	A scoping and on-going preliminary economic assessment studies were performed to ensure that there are reasonable prospects for the eventual economic extraction of the mineralisation, which demonstrated that the deposit is likely to be developed by underground mining method(s). Input parameters were provided by the Company as being typical for the commodity, mining method and costs for a Balkan silver-lead-zinc mining operation.
Metallurgical factors or assumptions	*The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.*	A number of flotation tests have recently been carried out on both Rupice and Veovača (nearby deposit) bulk samples. Preliminary results indicate there is potential to produce Zn, Pb/Cu and barite concentrates via flotation processes, with good recoveries of all constituents reported in this Mineral Resource estimate. The test work also indicates that a barite product that meets market specification requirements of purity, specific gravity, and fineness of particle size can be achieved, which meets the requirements of Clause 49 of the JORC Code. This test work remains ongoing. **The Competent Person is satisfied that metallurgical factors and assumptions were appropriately considered, to support Mineral Resource estimation.**
Environmental factors or assumptions	*Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfield project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.*	No detailed assumptions regarding possible environmental impacts to the site area were considered. The general locality has a number of active mining operations and no environmental impediments are anticipated.
Bulk density	*Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.*	Bulk densities were determined on drill core every 2m in ore and every 5m in waste. At total of 5,864 determinations were used to calculate regression formulas using barite, lead zinc and copper grades vs bulk density or to interpolate bulk density values into the combined high-grade domain.

	The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit.	Bulk density determinations adopted the weight in air / weight in water method using a suspended or hanging scale. First the core billet was accurately weighed dry ("in air"), the core billet was removed, and the wire cage fully submerged in water and its tare set to "zero" mass. The billet of core was then fully submerged and weighed ("weight in water"). The bulk density is calculated by the formula BD = Md / Md – Mw, where Md = weight in air and Mw = weight in water.
	Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.	No assumptions were made for Bulk Density. **The Competent Person is satisfied that density was appropriately considered, to support Mineral Resource estimation.**
Classification	*The basis for the classification of the Mineral Resources into varying confidence categories.*	Resource classification was based on confidence in the QA/QC data analysis, geological interpretation, drill spacing, geostatistical measures, a visual evaluation of cross sections and drill density, and manual interpretation of resource categories. The interpreted boundaries between categories were wireframed and used to code the block models. Generally, the Indicated category was assigned to the areas with reasonable continuity of mineralised lodes based on 20x20m and 40x40m exploration drilling. All other blocks were classified as Inferred. No blocks were classified as Measured
	Whether appropriate account has been taken of all relevant factors (i.e. relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).	The classification has taken into account all available geological and sampling information as well as the structural information, and the classification level is considered appropriate for the current stage of this project.
	Whether the result appropriately reflects the Competent Person's view of the deposit.	The Mineral Resource estimate appropriately reflects the view of the Competent Person. **The Competent Person is satisfied that classification of this Mineral Resource estimate appropriately reflects the data and interpreted geological controls on mineralisation.**
Audits or reviews	*The results of any audits or reviews of MREs.*	The current model has not been audited by an independent third party but has been subject to CSA Global's internal peer review processes.
Discussion of relative accuracy/ confidence	*Where appropriate a statement of the relative accuracy and confidence level in the MRE using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.*	Industry standard modelling techniques were used, including but not limited to: • Classical statistical analysis, cut-offs selection. • Interpretation and wireframing. • Top-cutting and interval compositing. • Geostatistical analysis. • Block modelling and grade interpolation techniques. • Model classification, validation and reporting. The relative accuracy of the estimate is reflected in the classification of the deposit. The relative accuracy of the Mineral Resource estimate is reflected in the reporting of the Mineral Resource to an Indicated and Inferred classification as per the guidelines of the 2012 JORC Code.
	The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.	The statement refers to global estimation of tonnes and grade and is suitable for use in a subsequent PFS and further exploration at the deposit.
	These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.	No production data is available. **The Competent Person is satisfied that classification of this Mineral Resource estimate appropriately reflects the data and interpreted geological controls on mineralisation.**

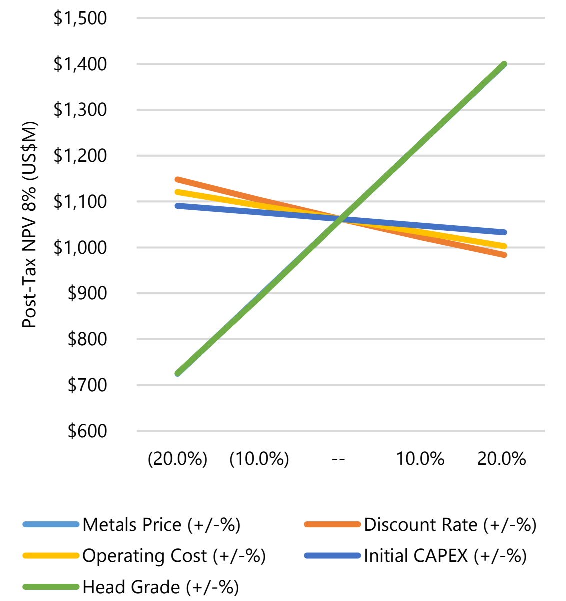
Section 4: Estimation and Reporting of Ore Reserves

Criteria	JORC Code explanation	Commentary
Mineral Resource estimate for conversion to Ore Reserves	*Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve.*	JORC 2020 Resource Estimate, where the Mineral resource is based on ordinary kriging estimation method.
	Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves.	The Mineral Resources are inclusive of the Ore Reserves.

Site visits	*Comment on any site visits undertaken by the Competent Person and the outcome of those visits.* *If no site visits have been undertaken indicate why this is the case.*	The Competent Person for Ore Reserves visited the Vares Silver Project in April 2021.
Study status	*The type and level of study undertaken to enable Mineral Resources to be converted to Ore Reserves.* *The Code requires that a study to at least Pre-Feasibility Study level has been undertaken to convert Mineral Resources to Ore Reserves. Such studies will have been carried out and will have determined a mine plan that is technically achievable and economically viable, and that material Modifying Factors have been considered.*	A Feasibility Study has been completed to enable Mineral Resource to be converted to Ore Reserves at +/- 15% accuracy on capital estimates and +/- 15% accuracy on operating costs. Underground Mining Contractor rates have been applied. Capex and Processing costs estimated by Mining Plus have been applied.
Cut-off parameters	*The basis of the cut-off grade(s) or quality parameters applied.*	Cut-off grades are based on Net Smelter Return (NSR) above US$1/tonne. The NSR calculation includes detailed estimates of all mining and processing costs and the following commodity prices: • Zn: US$2,500/t • Pb: US$2,000/t • Cu: US$6,500/t • BaSO4: US$120/t • Au: US$1,900/oz • Ag: US$24/oz • Sb: US$6,500/t
Mining factors or assumptions	*The method and assumptions used as reported in the Pre-Feasibility or Feasibility Study to convert the Mineral Resource to an Ore Reserve (i.e. either by application of appropriate factors by optimisation or by preliminary or detailed design).*	A Feasibility level study was performed on the Vares Silver Project to assess the viability of the Project. No inferred resource was used in the calculation of the reserves Diluent material may contain some mineralised Inferred resource. The UG mining method and assumptions are based on detailed mine design.
	The choice, nature and appropriateness of the selected mining method(s) and other mining parameters including associated design issues such as pre-strip, access, etc.	Rupice mining methods have been divided into a Longitudinal Longhole Open Stoping zone (LLOS) and the Transverse Longhole Open Stoping Zone (TLOS). The LLOS zone is positioned from and above the 1,065 level and the TLOS zone below the 1,065 level.
	The assumptions made regarding geotechnical parameters (eg pit slopes, stope sizes, etc), grade control and pre-production drilling.	The geotechnical parameters underpinning the Rupice Ore Reserves are based on drillhole data and detailed assessment by Avocageotec, including numerical modelling to assess the stability of underground workings and including stope backfill stability analysis..
	The major assumptions made and Mineral Resource model used for pit and stope optimisation (if appropriate).	Refer to the August 2020 MRE
	The mining dilution factors used. *The mining recovery factors used.*	The mining recovery for Rupice is estimated at 95% and the average dilution factors for Rupice is 13.%.
	Any minimum mining widths used.	Minimum mining widths at Rupice are =5m
	The manner in which Inferred Mineral Resources are utilised in mining studies and the sensitivity of the outcome to their inclusion.	Approximately 0.4% of the total resource is inferred, where this is included in the mine plan it is scheduled as dilution and has no impact on the Project's NPV.
	The infrastructure requirements of the selected mining methods.	Mine access declines and associated ventilation and dewatering infrastructure are required before the UG level accesses can be constructed. Surface infrastructure for Rupice includes ore and waste stockpiling and handling facilities, integrated cemented backfill and shotcrete batching plant, mine workshops, mine administration, office and ablution facilities,

		fuel and explosives storage facilities and all necessary water management infrastructure. Power to Rupice will be supplied from the local grid.
Metallurgical factors or assumptions	*The metallurgical process proposed and the appropriateness of that process to the style of mineralisation.*	Crush, grind and flotation will be the metallurgical process, this is the appropriate process for a base metals project.
	Whether the metallurgical process is well-tested technology or novel in nature.	The process has been successfully applied for many decades across the globe.
	The nature, amount and representativeness of metallurgical test work undertaken, the nature of the metallurgical domaining applied and the corresponding metallurgical recovery factors applied.	The metallurgical testwork is representative for the part of the Rupice orebody that is covered in this PFS.
	Any assumptions or allowances made for deleterious elements.	The recovery formulae applied to the various product take into account the grades of the deleterious elements such as Arsenic and Mercury grades in the plant feed.
	The existence of any bulk sample or pilot scale test work and the degree to which such samples are considered representative of the orebody as a whole.	No bulk sampling nor pilot scale testing was completed for the Vares Silver Project.
	For minerals that are defined by a specification, has the ore reserve estimation been based on the appropriate mineralogy to meet the specifications?	The Ore Reserve estimation is based on the appropriate mineralogy to meet the specification.
Environmental	*The status of studies of potential environmental impacts of the mining and processing operation. Details of waste rock characterisation and the consideration of potential sites, status of design options considered and, where applicable, the status of approvals for process residue storage and waste dumps should be reported.*	Environmental baseline studies performed on the Vares Silver Project have not yet identified any hinderances to permitting of the project.
Infrastructure	*The existence of appropriate infrastructure: availability of land for plant development, power, water, transportation (particularly for bulk commodities), labour, accommodation; or the ease with which the infrastructure can be provided or accessed.*	Infrastructure to suit a 800ktpa operation will be installed at the Tisovci old process-plant location, 1-2km west of the existing (historic) Veovaca open pit. Existing roads between Veovaca and Rupice will be partially used to transport ore. Rail-sidings and railway lines from Vares to the port of Ploce will be used to transport concentrate.
Costs	*The derivation of, or assumptions made, regarding projected capital costs in the study.*	Capital costs are based on detailed studies by various reputable and suitably experienced consulting firms, including Ausenco (processing plant and Rupice surface infrastructure),, Mining Plus (underground mining), Paterson and Cooke (backfill plant testwork and design), Wardell Armstrong International (tailings storage facility and project-wide water balance, Avocageotec (mine geotechnical) and various local institutes/consultants (power supply, haulroad, railway siding upgrade, firewater reticulation and water supply)
	The methodology used to estimate operating costs.	Operating costs are based on detailed design work by above consultancies.
	Allowances made for the content of deleterious elements.	Penalties have been applied to the various product steams according to the Arsenic, Antimony and Mercury grades in the concentrate.
	The source of exchange rates used in the study.	The average of the past 12 month's average exchange rate (July 2020 – June 2021) and rounded up to the second decimal digit. Exchange Rates EUR:USD $0.84 https://www.x-rates.com/average/?from=USD&to=EUR&amount=1&year=2021 CAD:USD $1.28 https://www.x-rates.com/average/?from=USD&to=CAD&amount=1&year=2021 USD:USD $1.00 https://www.x-rates.com/average/?from=USD&to=USD&amount=1&year=2021 AUD:USD $1.35 https://www.x-rates.com/average/?from=USD&to=AUD&amount=1&year=2021 BAM:USD $1.65 https://www.exchangerates.org.uk/data/currencies/live-bam-usd-exchange-rate GBP:USD $0.75

		https://www.x-rates.com/average/?from=USD&to=GBP&amount=1&year=2021.
	Derivation of transportation charges.	Transport charges are based on quotes from trucking and railway companies.
	The basis for forecasting or source of treatment and refining charges, penalties for failure to meet specification, etc.	Treatment and refining charges are based on data from a recognised marketing expert.
	The allowances made for royalties payable, both Government and private.	Allowances have been made for governmental royalties.
Revenue factors	*The derivation of, or assumptions made regarding revenue factors including head grade, metal or commodity price(s) exchange rates, transportation and treatment charges, penalties, net smelter returns, etc.*	A life-of-mine production schedule was developed from the mine design and the geological block model. The life-of-mine production schedule was used to generate monthly estimates of the mined tonnage and grade across the life-of-mine.
	The derivation of assumptions made of metal or commodity price(s), for the principal metals, minerals and co-products.	Commodity prices as above have been assumed
Market assessment	*The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future.* *A customer and competitor analysis along with the identification of likely market windows for the product.* *Price and volume forecasts and the basis for these forecasts.* *For industrial minerals the customer specification, testing and acceptance requirements prior to a supply contract.*	The Vares Silver Project will produce two concentrates: • Zinc • Silver-Lead These will be sold into transparent and deep-rooted markets. The metal supply from the Project is unlikely to disrupt any supply chains regionally or globally. All concentrates are marketable. Various analysts have a bullish outlook on the commodities which Adriatic will produce, given the positive outlook for automotive and construction demand globally.
Economic	*The inputs to the economic analysis to produce the net present value (NPV) in the study, the source and confidence of these economic inputs including estimated inflation, discount rate, etc.*	Inputs have been summarised above. Post-tax NPV = US$1,062M as the base case, which has a discount rate of 8% applied. Commodity prices applied for the economic analysis are listed above. Accuracy is at +/-15% on capital costs and +/-15% on operating costs. Initial capex = US$168M, LOM capex = US$211M. Opex (AISC) = US$7.3/oz AgEq FX Rates used: BAM:US$: $1.75 GBP:US$: $0.78

	NPV ranges and sensitivity to variations in the significant assumptions and inputs.	
Social	*The status of agreements with key stakeholders and matters leading to social licence to operate.*	No agreements have been made with key stakeholders. Part of Company's ESG policy, is to maintain continued communication with the leaders of the local communities and hold regular Public Liaison Committee meetings with the communities.
Other	*To the extent relevant, the impact of the following on the project and/or on the estimation and classification of the Ore Reserves:* *Any identified material naturally occurring risks.*	No material natural occurring risks have been identified for the Vares Silver Project.
	The status of material legal agreements and marketing arrangements.	No marketing arrangements have yet been made.
	The status of governmental agreements and approvals critical to the viability of the project, such as mineral tenement status, and government and statutory approvals. There must be reasonable grounds to expect that all necessary Government approvals will be received within the timeframes anticipated in the Pre-Feasibility or Feasibility study. Highlight and discuss the materiality of any unresolved matter that is dependent on a third party on which extraction of the reserve is contingent.	It is expected that all governmental and statutory approvals will be received within the anticipated timeframe. The Company has well established links and relations with all levels of the BiH government.
Classification	*The basis for the classification of the Ore Reserves into varying confidence categories.*	The reported Ore Reserves are classified as Probable.
	Whether the result appropriately reflects the Competent Person's view of the deposit.	The Probable Ore Reserves are consistent with the CP's view of the Project at this stage of the PFS.
	The proportion of Probable Ore Reserves that have been derived from Measured Mineral Resources (if any).	There are no Probable Ore Reserves derived from Measured Resources.
Audits or reviews	*The results of any audits or reviews of Ore Reserve estimates.*	Several internal and external independent technical reviews have been conducted during the course of the Feasibility Study. Any issues identified during those reviews have been fully addressed to the satisfaction of the independent reviewers.
Discussion of relative accuracy/ confidence	*Where appropriate a statement of the relative accuracy and confidence level in the Ore Reserve estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the reserve within stated confidence limits, or, if such an approach is not deemed appropriate, a*	Confidence in the reserve is high due to the conventional underground mining methods and processing techniques being applied.

	qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate.	
	The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.	
	Accuracy and confidence discussions should extend to specific discussions of any applied Modifying Factors that may have a material impact on Ore Reserve viability, or for which there are remaining areas of uncertainty at the current study stage.	The location of the Vares Silver Project is within easy road access and the Concession is in good standing with the governing authority and there is no known impediment to the Concession remaining in force until 2038 (25 years), subject to meeting all necessary reporting requirements. No modifying factors are expected to be significantly changed prior to mining.
	It is recognised that this may not be possible or appropriate in all circumstances. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.	