

31 JANUARY 2022



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 & 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

QUARTERLY ACTIVITIES REPORT

For the three months ended 31 December 2021
("Q4" or "Quarter")

HIGHLIGHTS IN THE QUARTER

Vares Silver Project, Bosnia & Herzegovina:

- Exploration drilling northwest of the Rupice Mineral Resource continues to intercept additional high-grade mineralisation.
- Commenced civil earth works on the Rupice Surface Infrastructure site and the access road construction.
- Released an Environmental & Social Impact Assessment in line with international best practice.
- Signed an engineering and procurement services contract with Ausenco for the delivery of the Vares Silver Project.

Raska Project, Serbia

- The Company was awarded a new 37 km² licence area, called Kaznovice, located southwest of the existing Raska Project licence area.

Corporate

- The Company announced a project finance package of approximately US\$244.5 million comprising:
 - Term sheet signed with Orion for US\$142.5 million debt financing ("Orion Debt Financing") package:
 - US\$120.0 million senior secured debt,
 - US\$22.5 million copper stream.
 - Completed equity raise of approximately US\$102.0 million, consisting of:
 - Equity subscription for US\$50.0 million by Orion,
 - placing of US\$52.0 million, conducted through an accelerated bookbuild process.
- Post quarter end, the Company announced the completion of the Orion Debt Financing.
- Cash balance at 31 December 2021 of US\$112 million (£83.2 million).



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

"We are very pleased with our achievements during the Quarter. Our flagship Vares Silver Project has now entered a new phase with the financing package in place the project is fully funded through to production. Strong exploration results have also continued indicating the potential for future growth of the resource base.

In addition, the publication of the ESIA represents a further landmark in the development of the project. The resulting ESG measures will enable the Company to commence development in accordance with best international practise and is aligned with the aspirations and requirements of the communities and environment in which it operates."

Adriatic Metals PLC (ASX:ADT, LSE:ADT1, OTCQX:ADMLF) ("Adriatic" or the "Company") is pleased to provide the following Quarterly Activities Report ("QAR") that summarises the progress made and reported during the three months ended 31 December 2021 ("Q4" or "Quarter").

1. Continued High-Grade Mineralisation at Rupice

In December, Adriatic announced strong exploration results at its flagship Vares Silver Project in Bosnia & Herzegovina.

As announced on 10 August 2021, step-out exploration drilling intersected high-grade mineralisation in drill hole BR-02-21, located 80 metres northwest of the existing Rupice Mineral Resource ("Rupice"). Subsequently, the Company has focused exploration activities on testing this potential northwest extension ("Rupice Northwest") with continued success.

The stratigraphic sequence and mineralisation style at Rupice Northwest appears to be the same as that seen at Rupice. Whether this is a continuation of the main Rupice orebody, or a structural repetition, is yet to be determined. The mineralisation at Rupice Northwest is continuous along strike to the northwest, as seen from the drill hole data in holes BR-02-21, BR-12-21 and BR-19-21. However, there appears to be a sporadically mineralised, lower-grade gap between Rupice and Rupice Northwest. Hole BR-06-21 intercepted a two metre zone of mineralisation grading 1,268g/t AgEq from 413m and approximately 20m south east of BR-02-21. This zone will be further tested with ongoing drilling.

2. US\$244.5 Million Project Finance Package Secured

In October, the Company announced that it had signed a term sheet for a US\$142.5 million debt financing package with Orion, comprising US\$120.0 million senior secured debt and a US\$22.5 million copper stream.

In addition, the Company announced that it raised total gross proceeds of US\$102 million from a US\$52 million equity placement and US\$50 million from an equity subscription by Orion. For further details, see the ASX announcement dated 13 October 2021.

Post the quarter, the Company announced that this financing package had been completed with terms unchanged from those announced in the ASX announcement dated 12 October 2021.

3. Environment & Social Impact Assessment Released



During the quarter, the Company announced the release of its Environmental & Social Impact Assessment ("ESIA") for its Vares Project.

The Company appointed Wardell Armstrong International ("WAI") to produce the ESIA to conform with the Performance Requirements ("PR") set out in the European Bank for Reconstruction and Development's ("EBRD") 2019 Environmental and Social Policy, as well as taking into consideration, amongst others, the World Bank's International Finance Corporation ("IFC") Performance Standards and the recently published findings of the Global Tailings Review.

As per the EBRD's PRs, the ESIA was released for a 60-day public review and disclosure period and is accessible on the Company website <https://www.adriaticmetals.com/sustainability/esia/>.

4. Raska Project Additional Licences Awarded

During the quarter, the Company was awarded a new licence area, called Kaznovice, located southwest of the existing Raska Project concessions area. The 37 km² of new licence area increases the total licence area held within the Raska project to 136km².

The Kaznovice licence comprises of three main targets that have been identified from historical drilling and field work; Bukovik, Lipovica and Plavkovo (see Figure 1). The Bukovik target has indications at surface of a high-sulphidation epithermal system, with the potential of a gold-copper porphyry system beneath. The Lipovica target is an intermediate-sulphidation epithermal target with lead, silver and zinc veins outcropping at surface. Finally, the Plavkovo target is an intermediate-to-high sulphidation epithermal system with gold, silver, copper, zinc and lead rich veins at surface. The Company plans on commencing exploration activities on these targets in due course.

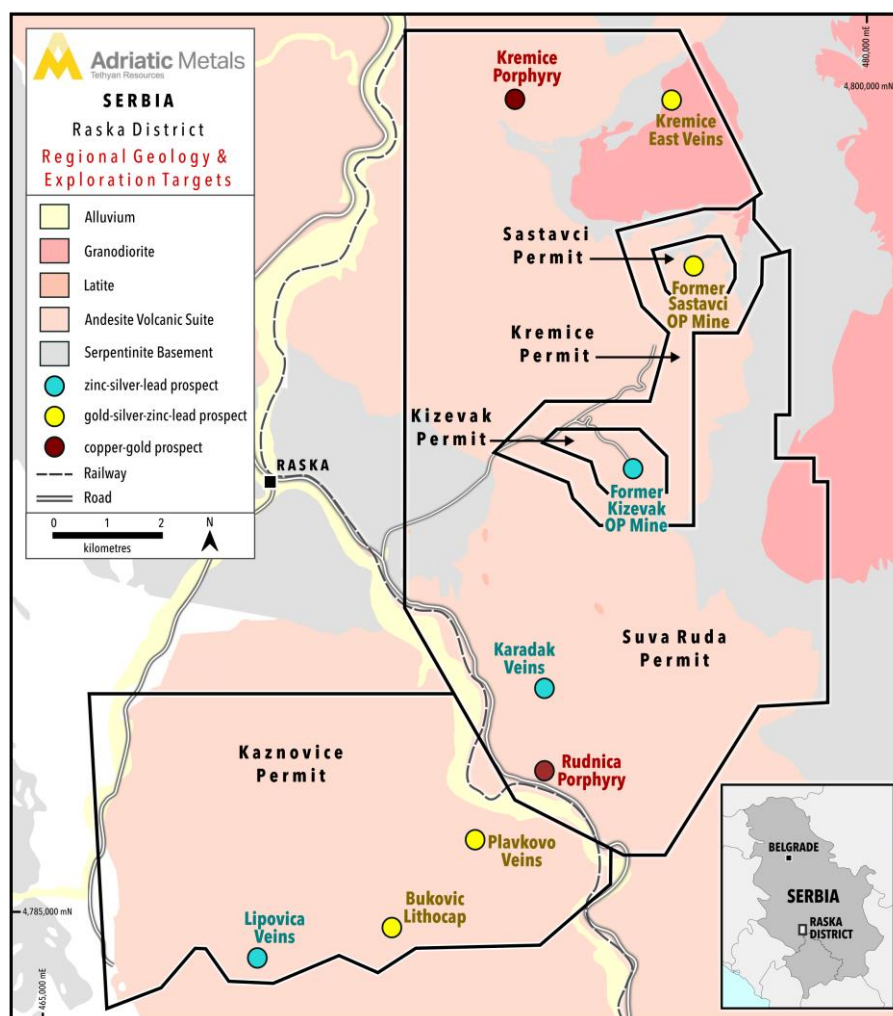


Figure 1. Map of the Raska Project licences

5. Summary of Expenditure

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

	GBP'000
Exploration & Evaluation (capitalised)	2,326
Exploration & Evaluation (expensed)	662
Staff costs	266
Administration and corporate costs	660
Property, plant and equipment acquisitions	162
Interest paid	317
Other: VAT outflow	<u>242</u>
Total	<u>£ 4,635</u>



6. Payments to Related Parties

During the Quarter, Adriatic paid an aggregate total of £111k to Directors, or companies controlled by them, comprised of salaries, fees and reimbursement / recharge of corporate office facilities & associated services used / provided by the Company. This is disclosed in Item 6 of the accompanying Appendix 5B Cash Flow Report.

7. Tenement Holdings

In accordance with ASX Listing Rule 5.3.3 please find below the Company's tenements as at 31 December 2021. The Company holds a 100% interest in all concession agreements and licences via its wholly owned subsidiaries, with the exception of the Raska (Suva Ruda) licence held by Deep Research d.o.o.. The Company does not hold an equity interest in Deep Research d.o.o. but has an option agreement pursuant to which it may acquire the entire share capital of Deep Research d.o.o..

	Concession document	Registration number	License holder	Concession name	Area (km ²)	Date granted	Expiry date
Bosnia and Herzegovina	Concession Agreement	No.:04-18-21389-1/13	Eastern Mining d.o.o.	Veovaca1	1.08	12-Mar-2013	11-Mar-2038
				Veovaca 2	0.91	12-Mar-2013	11-Mar-2038
				Rupice-Jurasevac, Brestic	0.83	12-Mar-2013	13-Mar-2038
	Annex 3 - Area Extension	No.: 04-18-21389-3/18	Eastern Mining d.o.o.	Rupice - Borovica	4.52	14-Nov-2018	13-Nov-2038
				Veovaca - Orti - Seliste - Mekuse	1.32	14-Nov-2018	13-Nov-2038
	Annex 5 - Area Extension	No: 04-18-14461-1/20	Eastern Mining d.o.o.	Orti-Selište-Mekuše- Barice-Smajlova Suma-Macak	19.33	03-Dec-2020	03-Dec-2050
				Droskovac - Brezik	2.88	03-Dec-2020	03-Dec-2050
				Borovica - Semizova Ponikva	9.91	03-Dec-2020	03-Dec-2050
Serbia	Exploration License	310-02-1721/2018-02	Ras Metals d.o.o.	Kizevak	1.84	03-Oct-2019	16-Oct-2022
	Exploration License	310-02-1722/2018-02	Ras Metals d.o.o.	Sastavci	1.44	07-Oct-2019	16-Oct-2022
	Exploration License	310-02-1114/2015-02	Taor d.o.o.	Kremice	8.54	21-Apr-2016	26-Jul-2022
	Exploration License	310-02-00060/2015-02	Deep Research d.o.o.	Raska (Suva Ruda)	87.17	28-Dec-2015	18-Feb-2022
	Exploration License	310-02-01670/2021-02	Global Mineral Resources d.o.o.	Kaznovice	37.1	22-Nov-2021	22-Nov-2024

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Authorised by, and for further information, please contact Paul Cronin, Managing Director & CEO
info@adriaticmetals.com

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.

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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 Silver Project is fully-funded to production, which is expected in Q2 2023. The 2021 Project Definitive Feasibility Study boasts robust economics of US\$1,062 million post-tax NPV₈, 134% IRR and a capex of US\$168 million. Concurrent with ongoing construction activities, the Company continues to explore across its highly prospective 41km² concession package.

There have been no material changes to the assumptions underpinning the forecast financial information derived from the production target in the 19 August 2021 DFS announcement and these assumptions continue to apply and have not materially changed. Adriatic Metals is not aware of any new information or data that materially affects the information included in the announcement of the updated Mineral Resource Estimate announced on 1 September 2020 and all material assumptions and technical parameters underpinning the Mineral Resource Estimate continue to apply and have not materially changed.



Rule 5.5

Appendix 5B

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

Name of entity

ADRIATIC METALS PLC

ABN

624 403 163

Quarter ended ("current quarter")

31 DECEMBER 2021

Consolidated statement of cash flows	(a) Current quarter GBP'000	(b) Year to date (12 months) GBP'000
1. Cash flows from operating activities		
1.1 Receipts from customers	0	0
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(662)	(2,900)
(b) development	0	0
(c) production	0	0
(d) staff costs	(266)	(1,984)
(e) administration and corporate costs	(660)	(3,560)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	0	0
1.5 Interest and other costs of finance paid	(317)	(1,351)
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	0	0
1.8 Other - VAT refund / (outflow)	(242)	(111)
1.9 Net cash from / (used in) operating activities	(2,147)	(9,906)



Consolidated statement of cash flows		(a) Current quarter GBP'000	(b) Year to date (12 months) GBP'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	0	(1,189)
	(b) tenements	0	0
	(c) property, plant and equipment	(162)	(424)
	(d) exploration & evaluation (if capitalised)	(2,326)	(8,390)
	(e) investments	0	0
	(f) other non-current assets	0	0
2.2	Proceeds from the disposal of:		
	(a) entities	0	0
	(b) tenements	0	0
	(c) property, plant and equipment	0	2
	(d) investments	0	0
	(e) other non-current assets	0	0
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other	0	0
2.6	Net cash from / (used in) investing activities	(2,488)	(10,001)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	74,442	75,271
3.2	Proceeds from issue of convertible debt securities	0	0
3.3	Proceeds from exercise of options and warrants	136	1,328
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(3,220)	(3,484)
3.5	Proceeds from borrowings	0	0
3.6	Repayment of borrowings	0	0
3.7	Transaction costs related to loans and borrowings	(338)	(481)
3.8	Dividends paid	0	0



Consolidated statement of cash flows		(a) Current quarter GBP'000	(b) Year to date (12 months) GBP'000
3.9	Other (Pre-acquisition loan to Tethyan)	0	0
3.10	Net cash from / (used in) financing activities	71,020	72,634

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	16,653	29,249
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,147)	(9,906)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,488)	(10,001)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	71,020	72,634
4.5	Effect of movement in exchange rates on cash held	133	1,195
4.6	Cash and cash equivalents at end of period	83,171	83,171

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	(c) Current quarter GBP'000	(d) Previous quarter GBP'000
5.1	Bank balances	83,171	16,653
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (provide details)	0	0
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	83,171	16,653



6.	Payments to related parties of the entity and their associates	(e) Current quarter GBP'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	111
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0
Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	(f) Total facility amount at quarter end GBP'000	(g) Amount drawn at quarter end GBP'000
7.1	Loan facilities	14,510	14,510
7.2	Credit standby arrangements	0	0
7.3	Other (please specify)	0	0
7.4	Total financing facilities	14,510	14,510

7.5	Unused financing facilities available at quarter end	0
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7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.
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The loan facilities comprise US\$20 million unsecured convertible debentures at 8.5% interest and a maturity date of December 2024 issued to Queen's Road Capital Investment Ltd. For further details see announcement dated 27 October 2020.

Excludes the US\$142.5 million Orion Debt Financing package which was completed after the Quarter end.



8.	Estimated cash available for future operating activities	(h) GBP'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(2,147)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(2,326)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(4,473)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	83,171
8.5	Unused finance facilities available at quarter end (Item 7.5)	0
8.6	Total available funding (Item 8.4 + Item 8.5)	83,171
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	18.6

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

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

Answer:

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

Answer:

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

Answer:

Compliance statement

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

Date: 29 January 2022

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



Notes

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