

28 February 2022

VARES PROJECT CONSTRUCTION UPDATE

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

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NON-EXECUTIVE CHAIRMAN

Mr Paul Cronin
MANAGING DIRECTOR & CEO

Mr Peter Bilbe
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Ms Sandra Bates
NON-EXECUTIVE DIRECTOR

Ms Sanela Karic
NON-EXECUTIVE DIRECTOR

HIGHLIGHTS

- Construction activities commenced in November, with road access being made to the upper and lower portal pads at Rupice
- Letter of intent signed with underground mining contractor. Expect to complete contract negotiations in the coming weeks
- Engineering contractors appointed
- Promising backfill test work likely to reduce environment impact of tailings and reducing mining costs
- Purchase Orders for long lead order mechanical equipment packages issued
- A number of key hires made in building out the project delivery team
- New exploration drilling company appointed – currently mobilising
- Final stages of negotiation for offtake agreements
- Project remains on track for first production in Q2 2023

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

"The Company is edging closer to becoming Europe's next operating mine. Project development is accelerating, having recently commenced construction activities. We are also busy bulking out the owners team with excellent new hires, further improving designs and rationalising costs where possible to lower capital costs and improve operational flexibility.

As always, our commitment to our stakeholders guides us in everything we do and we are proud to be the only non-government owned company in Bosnia & Herzegovina to have issued an EBRD-compliant ESIA. Beyond the ESIA, we have conducted numerous activities to engage with the local communities and support the sustainable economic and social development of those communities.

Despite turbulent metal markets, we are in final negotiations with off-takers for the sale of our silver-lead and zinc concentrates and are confident of reaching agreement in the coming weeks."

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Adriatic Metals PLC (ASX:ADT, LSE:ADT1, OTCQX:ADMLF) ("Adriatic" or the "Company") is pleased to provide an update on recent operational developments at the Company's flagship Vares Silver Project in Bosnia & Herzegovina ("Vares Project" or "Project").

Since the commencement of construction activities in November 2021, operations have been focussed on site preparation and civil earth works at the Rupice Surface Infrastructure site, including the construction of access roads. Construction activities started on time and the Project remains on track for first production in Q2 2023.

RECENT DEVELOPMENTS

Appointment of Engineering Contractors

In December 2021, Ausenco Pty Ltd ("Ausenco") was appointed as the engineering and procurement ("EP") contractor for the Project. Ausenco was first engaged by the Company in Q4 2019 as the engineering consultant for the delivery of the Project Pre-Feasibility Study ("2020 PFS"). They were subsequently retained for the Project Definitive Feasibility Study ("2021 DFS") the following year. The preservation of knowledge and experience from the 2021 DFS and 2020 PFS is a major advantage in the swift transition of the Project to the detailed engineering phase.

In February 2022, Paterson & Cooke (UK) Ltd ("P&C") was appointed for the detailed design of the backfill plant and shotcrete plant at the Rupice Surface Infrastructure site. P&C is also the same consulting engineering firm that was used in the 2021 DFS.

Promising Initial Results From Backfill Engineering Testwork

Further refinement and test work on the backfill engineering has been ongoing since the completion of the 2021 DFS, with recent test results suggesting there will be a significant increase in tailings content used in the backfill. If the final test work results are successful, this will reduce mining costs and the quantity of tailings deposited on the dry stack tailings storage facility, further minimising the environmental impact of the Project..

Backfill is used throughout the life of mine of Rupice to fill in the mined out stopes. In the 2021 DFS, the backfill consists of two types; paste aggregate fill ("PAF") and cemented aggregate fill ("CAF"), with the CAF used for areas that required greater structural support. CAF previously made up over 60% of the total backfill requirement over the first 5 years of production.

The application of CAF is more expensive than PAF, as it has a much higher materials handling cost on surface and underground. CAF utilises 100% crushed rock (including a binder), whereas the PAF incorporates only 35% rock, with the remainder made up of a binder and tailings from the Vares Processing Plant ("VPP"). CAF is trucked and placed by a loader into the mine voids underground, whereas PAF is simply pumped and distributed via a piping network.

Recent results from the testwork show that the PAF has greatly improved structural properties, which are now greater than that of the CAF. Ongoing testwork is focussed on assessing the strength of 100% tailings (including a circa 7% binder) within the backfill, with the aim of removing the requirement for CAF altogether once tailings start to be produced from the VPP. Therefore, potentially increasing the PAF requirement by over 2.5 times during the first 5 years of production.

Ordering of Mechanical Equipment

The Company has selected the suppliers and started issuing the purchase orders for the long lead order mechanical equipment packages.

The following mechanical equipment packages have been identified as a long lead order items, as their delivery time is longer than 30 weeks and their specification is not considered 'off the shelf'; ball mill, regrind mill, concentrate and tailings filter presses, concentrate and tailings thickeners, flotation cells and crushing plant (collectively, "Long-Lead Order Equipment").

Five out of the six Long-Lead Order Equipment packages have been ordered, with the purchase order for the flotation cells expected to be placed in late March, as the indicative lead time is now shorter than that originally assumed. The Company has not experienced any significant cost inflation in the various mechanical equipment package bids, with delivery times positively impacting the critical path of the Project.

Mechanical Equipment Package	2021 DFS estimated delivery times	Supplier delivery times	Expected delivery on site
Ball mill	48 weeks	41 Weeks	16 Dec 2022
Regrind mill	48 weeks	42 Weeks	6 Jan 2023
Flotation cells	40 weeks	31 Weeks	21 Oct 2022
Thickeners	32 weeks	37 Weeks	2 Dec 2022
Crushing plant	27 weeks	34 Weeks	4 Nov 2022
Filter presses	24 weeks	37 Weeks	5 Dec 2022

Construction Activities

See link to a short video covering recent construction activities at the Rupice Surface Infrastructure – <https://www.adriaticmetals.com/news/rupice-february-2022/>

Access road construction at the Rupice Surface Infrastructure site commenced in November 2021. To date, access roads have been cleared and constructed from the northern access road to Rupice (from Kakanj) to the site of the upper and lower portal pads. The pad locations are where portal development will start for each of declines into the Rupice Underground mine. Site preparations have also been made for the laydown area ("laager"), as highlighted in the video.

Modifications have been made to the layout of the Rupice Surface Infrastructure site, reducing the volume of earthworks required by approximately 50% to 800,000m³. The redesign has both lowered the construction cost of the Rupice Surface Infrastructure site, as well as improved the efficiency of ore haulage truck movements at the site. The main changes are that the stockpile area has been reduced in surface area from 75,000 m² to 35,000 m²; the explosives magazine has been moved to be stored underground; and, the design of the various site access roads have been simplified to reduce their length.

To further improve the flexibility of ore haulage truck movements at Rupice, the gradient of the lower decline has been reduced from 6:1 to 7:1. The lower portal was originally intended to be exclusively used for empty haul trucks entering the underground mine. However, reducing the gradient of the decline allows it to be used as an exit from Rupice underground mine for fully laden ore haulage trucks, as the previous gradient of 6:1 would have been too steep. This will not only improve the cycle time of the ore haulage trucks, but also greatly improve operational flexibility underground.



Figure 1: Site clearing and construction of the access road to the lower and upper portals



Figure 2: Site clearing and construction of the access road to the lower and upper portals

Hiring of Project Staff

The Company has continued to make a number of key appointments as it builds out the in-house technical capability for the construction and operation of the Project. The Project team is led by Project Director, Collin Ellison who joined the Company in July 2021. The current headcount of this team is 29. Notable recent hires within the team include:

Adriana Tufis, Project Manager

Ms. Tufis joined Adriatic from Ausenco, where she was working exclusively on the delivery of the Vares Project feasibility Study. She has over 15 years' experience in mechanical and project engineering including management, feasibility studies, engineering and plant commissioning. This includes extensive work throughout Australia and international projects in South East Asia, South and North America and, Europe.

Anes Hasečić, Civil Construction Manager

Mr. Hasečić is a Bosnia and Herzegovina national with 17 years of experience in civil construction. He has extensive Balkan and international experience working on underground mining project construction as well as highway and tunnel construction. Mr Hasečić has an MSc in Civil Engineering from the University of Sarajevo.

Ruben Fernandez Barrado, Underground Mine Manager

Mr. Barrado is a Spanish national with 14 years mining experience in greenfield underground mining projects and operations. He has extensive international underground mining experience having worked in western Europe, Central America, Mexico and South America. Most recently he had management roles during the construction and ramp-up of Escobal silver mine in Guatemala as well as Lundin Gold's Fruta del Norte mine in Ecuador. Mr Barrado has an MSc in Mining Engineering from the Madrid School of Mines and has a Project Management certificate from Barcelona University.

Fehim Velic, Electrical Engineer Manager

Mr. Velić is a Bosnia and Herzegovina national with over 13 years of experience as an electrical engineer in underground and open pit mining operations. He recently held a managerial role in the commissioning of a new underground mine in the region. Mr. Velić holds a MSc in Electrical Engineering from the University of Sarajevo.

Jonathan Rao, Process Manager

Mr. Rao is an Australian national with 15 years of experience in mineral processing. He has global, multi-commodity base metal processing experience, including commissioning and operational assignments in Australia, Asia and Africa. Mr Rao holds a BSc in Extractive Metallurgy from the Western Australian School of Mines, a Diploma in Applied Chemistry and a Master's in Accounting from Curtin University. He is also an accredited Lean Six Sigma Green Belt.

Nermin Taletovic, Senior Mine Hydrogeologist

Mr. Taletovic is a Bosnia and Herzegovina national with 9 years of experience in mine hydrogeology. He has extensive experience in the design of water management systems, as well as underground hydrological modelling. Mr. Taletović has an MSc in geology from the University of Tuzla.



Figure 3: Group photo in Vares, December 2021

The Company's human development framework will be rolled out in April to ensure that all staff and contractors have the appropriate skills, training and experience to operate at high productivity levels, and with the necessary focus on environmental protection and workplace safety. Adriatic has engaged the Worqforce Group out of Perth to assist with our human development plans, and Worqforce currently have 6 staff permanently on site, as well as numerous other staff in the UK, Australia and South Africa supporting the local team. Adriatic's investment in human development is a key aspect of the Company's approach to sustainability, giving young Bosnian graduates an opportunity to develop world class skills and apply them in their home country.

UPCOMING DEVELOPMENTS

Appointment of Mining Contractor

The Company has signed a letter of intent ("LOI") with Çiftay İnşaat Taahhüt ve Ticaret A.Ş. ("Çiftay") for the appointment as the Project's sole underground mining contractor. Following completion of commercial and legal negotiations, the Company expects to formally appoint Çiftay within the coming weeks.

Çiftay are a Turkish mining operations and underground construction contractor. The Çiftay operates a number of open pit and underground sites across operations in Turkey and Central Asia. They have an impressive health and safety record and are working with Adriatic's Occupational Health & Safety ("OH&S") team to install world class OH&S models including procedures, data capture & reporting, and training. This cooperative approach is intended to ensure that the Vares Silver mine remains one of the safest in the world.

Once formally engaged, Çiftay expect initial mobilisation will take 45 days. Portal and decline development is expected to commence following the mobilisation of the mining contractor to site in early Q2 2022

Vares Processing Plant site

In line with the 2021 DFS project plan, construction activities are expected to start at the Vares Processing Plant ("VPP") in late Q2 2022. Ahead of the commencement of construction, detailed engineering design activities for the VPP has generated opportunities to reduce the overall use of steel across the site. The processing plant structures are being redesigned to be fabricated in concrete and the plant layouts have been modified to reduce overall building footprint. This has been done to minimise the impact of increased steel prices on the overall project budget.

Exploration Activities

The Company has confirmed its plans for exploration activities during the coming year, with a phase 1 budget of €5 million covering approximately 22,000m of drilling. Drilling will be primarily focussed around Rupice, but also testing step-out opportunities across the Vares concession area along strike. Such as; 4,000m of drilling at the Droskovac target, 1,000m of drilling at the SP1 and SP2 targets in the Semizova Ponikva concession, and first-pass scout drilling in the Vares East concession, focussed around the Barice and Brgule targets. There is the availability of future budget to be allocated to exploration activities should success be demonstrated within the results.

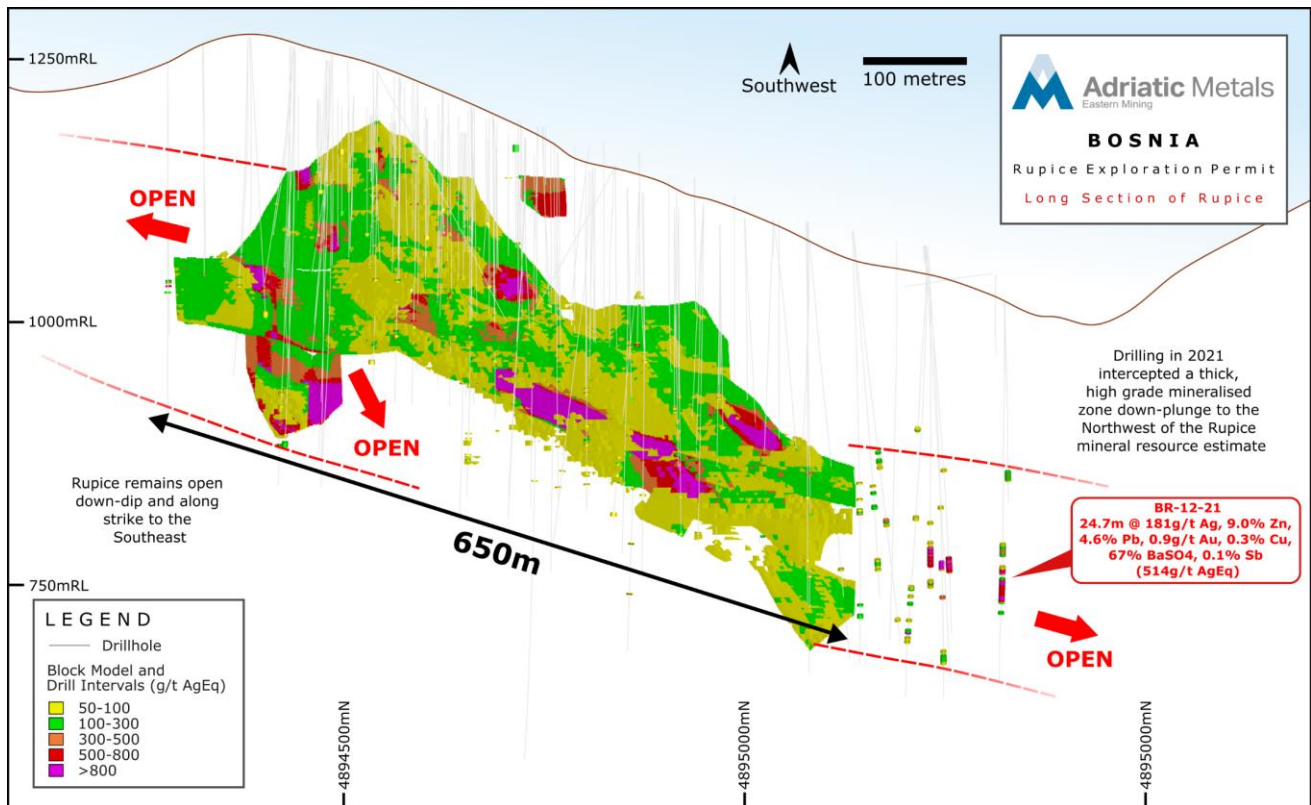


Figure 4: Rupice long-section showing the corridors of potential mineralisation to the northwest (right) and southeast (left), which the Company will be primarily focussed on testing in 2022

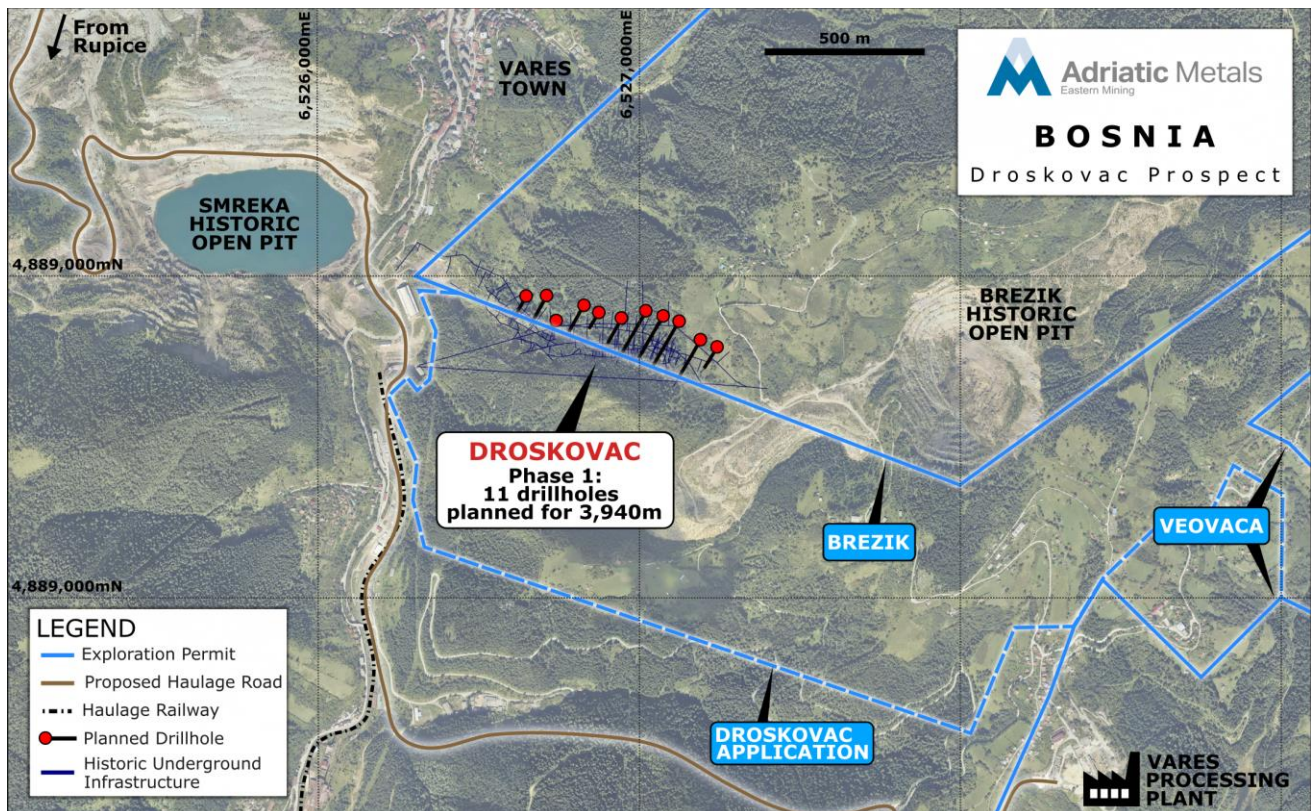


Figure 5: Plan view of Droskovac target in relation to the historic infrastructure and the Vares Processing Plant

In the coming weeks, the Company is expected to receive land-access permission from the Forestry Commission to commence drilling activities at the Droskovac target. The Droskovac target is situated between the historic Smreka and Brezik open pits, less than 4 km by road from the Vares Processing Plant site. The target contains almost 900,000t of historically defined, non-JORC compliant polymetallic mineralisation. It is situated within a formerly-operated underground mine, the portal for which is located at the end of the Vares railhead, adjacent to the haul-road. The underground mine ceased production in in the late 1980s. The Company intends to confirm the known mineralisation and test its extents from west to east (See Figure 5). The Droskovac target has been an area of interest, first highlighted by the Company in the April 2021 Geology presentation, which is available the Company's website (see link: <https://www.adriaticmetals.com/investors/corporate-presentations>). The drilling of the Droskovac target will be undertaken in 2 phases, the first is a 4,000m program that is expected to commence early Q2 2022.

A new drilling contractor has been appointed at the Project. Drillex International ("Drillex") will be supplying a total of three rigs, with the first two currently being transported to site. Following the required federal inspections, drilling will commence shortly thereafter.



Figure 6: Site of a Drillex drilling rig in operation at the Company's Raska Project in 2021

The Company has developed a close working relationship with Drillex, who have operated three diamond core drilling rigs at the Company's Raska Project in Serbia for the past 18 months. Drillex have been assigned with a 20,000m diamond core drilling program that will be primarily focused on the areas northwest and southeast of the defined Rupic deposit.

Concession Extensions

A further application has been made to Zenica-Doboj Canton for an extension of the Vares Project concession area. The extension will be an annex to the existing concession agreement, of which so far 5 extensions, have been made since the original agreement was awarded in March 2013. The application is designed for greater exploration activities to occur around Droskovac, as well as increase the area around the dry stack tailings storage facility, south of the Vares Processing Plant. In addition to the application made to extend the concession area NW of Rupice, it is expected that these concessions area extensions will be provided by the end of Q2 2022.

Offtake Contract

Following the third round of bids from a number of leading international traders and smelter groups, the Company is in final negotiations with counterparties for the offtake of its silver-lead and zinc concentrates. Despite the terms having not yet been formally agreed, the Company expects them to be in line with the 2021 DFS assumptions, as summarised in the 19 August 2021 announcement. This is subject to no further metal price fluctuations or further deterioration in global shipping rates.

Despite showing weakness in the past six months, the zinc concentrate market has recently shown signs of tightening, with spot treatment charges at US\$130-140/t for CIF China delivery. This has occurred despite the multiple shutdowns of European zinc smelters due to high energy prices. It is expected that long-term benchmark contracts for 2022 will be lower than the ten-year average settlement terms. This paves the way for an even tighter zinc concentrate market, when many of the idled European zinc smelters resume production. Silver-lead concentrates also remain in high demand and the market is expected to maintain its current undersupplied status.

It was agreed with Orion Resource Partners that the prerequisite to secure offtake contracts ahead of executing the project finance facility, as announced on 10 January 2022, was not required. The Company had demonstrated during the tendering process in 2021 that both concentrate streams were readily marketable, but felt market conditions would become more favourable. However, a minimum offtake agreement will be required to be in place ahead of the first draw-down of the debt funding package that is expected to occur late Q2 2022. The Company is expecting to agree definitive offtake terms with selected counterparties in the coming month, as negotiations come to a close.

Completion of ESIA Public Review

The Vares Project Environmental and Social Impact Assessment ("ESIA") was published on the 27 December 2021, following the completion of the 60 day public disclosure period as announced on 27 October 2021. A Disclosure Report was compiled containing all the questions received during the public review period, as well as the Company's responses. This report will be published on the Company's Eastern Mining website within the coming weeks.

During the disclosure period, the Company met with all of the Project's local and national stakeholders. This included communicating directly with the community representatives of the villages surrounding the town of Vares, non-governmental organizations, associations including the beekeepers, hunting, fishing associations, leaders of the local religious communities, municipal council, as well as an open public presentations made in municipality hall. In addition, the ESIA was presented in Sarajevo to various government institutions.

Authorised by, and for further information please contact, Paul Cronin
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MARKET ABUSE REGULATION DISCLOSURE

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

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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.

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.