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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.

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VARES PROJECT UPDATE

HIGHLIGHTS

Vares Project

- Rupice Surface Infrastructure works have advanced significantly over the summer.
- 45% of total Project construction complete.
- Decline development is progressing well, with the lower decline currently at 210 m and upper decline at 100 m.
- Majority of long lead items and equipment orders are expected on schedule, however global supply chain disruption has pushed first concentrate production from the end of Q2 into Q3 2023.
- The Company retains sufficient working capital reserves and contingencies to offset this slight delay in concentrate production.
- Exploration and infill drilling at Rupice will continue through the winter, with results feeding into the planned Mineral Resource Estimate update in Q1 2023.
- Staff headcount is 177 and increasing as the Company manages to attract and train talented people. Contractor count at 188.
- Adriatic's first annual sustainability report will be published in Q2 2023.

Finance Update

- Final Project cost estimate has increased marginally from \$170m to \$173m due to increases in engineering costs, plant and electrical equipment, including adjustments based on recent contract awards.
- 72% of capital committed.
- The Group's estimated cash balance at 30 September 2022 was \$66m.
- All \$ amounts are US dollars.



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

"I am delighted to report excellent construction progress at our Vares Project. The summer has seen underground development accelerate as well as the commencement of construction of both the process plant buildings and haul road."

"We are nearly 50% complete with 72% of the total construction capital committed."

"Like most industries we have experienced some cost inflation but we do not envisage the total capex to increase materially. The current estimate at completion is \$173m, which is well within our contingencies and an impressive feat in the current climate. With supply chains under stress, we are taking a prudent approach with production to commence in Q3 2023."

"Given the myriad of supply chain, inflationary and currency challenges globally, I am enormously proud of our team and their absolute determination to deliver the Vares Project successfully in 2023."

Adriatic Metals PLC (ASX:ADT, LSE:ADT1, OTCQX:ADMLF) ("Adriatic" or the "Company") is pleased to provide an update on the construction activities and drilling at its flagship Vares Project in Bosnia & Herzegovina ("Project" or "Vares Project").

Adriatic will be hosting a site visit for analysts and investors on Tuesday 11th October 2022.

1. CONSTRUCTION ACTIVITIES

Construction activities are proceeding to schedule. Activities are split across the following three sites:

Rupice Surface Infrastructure / Rupice Underground Mine

Decline development and Rupice Surface Infrastructure works have advanced significantly over the summer. Concrete pads have been constructed at both the lower and upper declines to maintain 24/7 underground operations throughout the winter. To date approximately 50% of earthworks have been completed.

The Main Mining Contractor ("MMC") continues to increase staffing levels, currently at 110 personnel, and is confident of achieving its full complement ahead of mining operations in Q2 2023. The fleet of vehicles required for Phase One (decline development) is on site, with delivery of Phase Two and Three vehicles commencing. Site offices, mobile communications infrastructure and first aid facilities are complete. Workshops and warehousing facilities will be completed in the coming month.



Equipment	Delivery	Comments
LHD (Sandvik LH514i)	2022 July	
LHD (Sandvik LH517i)	2022 Oct / Nov	2x units
Front End loader (Caterpillar 950L)	2022 May	
Haul truck (Sandvik TH545i)	2022 July	2nd unit 2022 Dec
Jumbo (Atlas Copco 282)	2022 May	
Jumbo (Sandvik DD320s)	2022 July	2x units
Rock Bolt (Sandvik DS311)	2022 May	
Rock Bolt (Sandvik DS311)	2022 Aug	
Shotcrete sprayer (Titan IS26)	2022 June/July	2x units
UG mixer truck (Titan BYM 6.0)	2022 June/July/Aug	3x units
Explosive charger (Titan EC2)	2022 July	

Figure 1: Status of Underground Vehicle Delivery

Decline Development

On 1 October 2022, the 5.5m x 5.5m profile lower decline was at 210m. Ground conditions, away from the expected unconsolidated ground at the portal, have been broadly better than anticipated in the 2021 DFS, and consequently advance rates in the more competent rock have been on average faster. The MMC completed 81m in September 2022, averaging 2.7m per day. Further, the lower decline is notably drier than expected, improving the operating conditions and reducing the requirement for pumping, discharge and treatment of water.

The 5.5m x 5.5m upper decline is also advancing well, at 100m at the start of October 2022 (71m in September, averaging 2.4m per day). Similar to the lower decline, the ground conditions beyond the initial portal area are better than anticipated.



Figure 2: Lower Portal



The progress of the declines means that the Company is on schedule to commence Phase Two of the mining operation at the beginning of Q1 2023, with the construction of the production levels, cross cuts, ore development drives and installation of underground infrastructure. The final phase of mining will be production mining in ore and backfilling. This remains on track to commence in Q2 2023.

Site Utilities

The temporary surface explosives magazine, which is required to support operations ahead of the permanent underground magazine incorporated into the main design, has been commissioned. Further, the Company is discussing with the Federal Mining Ministry for their approval to use non-gasified emulsion explosives. Non-gasified emulsion does not require storage in a dedicated magazine and therefore removes the requirement to develop a costly underground facility. The existing surface, temporary, magazine in this cost saving scenario can be utilised to store detonators. Non-gasified emulsion also provides better blasting efficiency and reduces blasting gases with the potential to proportionally decrease blasting cycle times.



Figure 3: Sandvik Haul Truck TH545i

The installation of utilities (water, compressed air, ventilation fans and generators) for the underground decline development is complete and fully operational.

Diesel generators ("gen-sets") have been installed and are fully operational. The gen-sets provide power to the Rupice Underground Mine during the first two Phases of mine development until the 35kV buried cable grid connection is completed in Q1 2023. Thereafter, the gen-sets will remain in place as a backup power source for underground operations.

Long lead time mechanical equipment packages for the backfill plant have been placed with first deliveries due on-site in November 2022. These items include the positive displacement pumps and batching plant.



Haul Road & Rail Head Operations

Construction of the 23km haul road is underway. The haul road is split into 5 “Lots”, allowing for simultaneous construction by multiple civil works contractors. Construction of Lot 1, the first 5km from Rupice Surface Infrastructure is underway. A construction contract has been awarded for Lot 5B. Lot 3 Urban Planning Project has been awarded and detailed engineering designs are underway. Following completion of geotechnical drilling there has been an amendment to the route of Lot 4 and the design is being updated.

A tender has been issued for the haul road and rail head fleet operator which, after evaluation in October 2022, will be awarded by the end of the year. This tender included provision for vehicle tracking and telemetry specifications.

The lease of the Vares Majdan rail head has been concluded. Work is underway on the detailed engineering plan required to commence construction of rail head facilities, on schedule, in Q1 2023. The existing framework agreements with FBiH Railways are now being updated to the full-service agreements required both for operations and for FBiH Railways to commence refurbishment of the 25km dedicated rail from Vares Majdan to Podlugovi, south of Breza, where it connects to the wider domestic Bosnian railway network.

Vares Processing Plant Site

The contract for the design, supply and install of the processing buildings was awarded in June 2022, with the building foundations finished in September 2022. In the first week of October 2022 the installation of the steel columns commenced. The principal two process buildings (mill and flotation) are on schedule for completion in November 2022. All buildings remain on schedule for completion at the end of Q1 2023. The steel, wall panels and four overhead cranes have all been purchased, ahead of installation. Internal concrete construction and the installation of processing equipment will commence on schedule in November 2022.



Figure 4: Vares Processing Plant (September 2022)



Long Lead Time Orders

All long lead time orders have been awarded and delivery dates confirmed, pending the continued efforts by the procurement team to decrease delivery times where possible:

Package	Equipment	Status	Expected Date
PO 0001	Ball Mill	Awarded	31 Jan 23
PO 0002	Flotation Cells	Awarded	24 Mar 23
PO 0003	Regrind Mills	Awarded	08 May 23
PO 0006	Thickeners	Awarded	21 Feb 23
PO 0007	Filtration	Awarded	07 Jun 23
PO 0008	Slurry Pumps	Awarded	24 Mar 23
PO 0011	Vibratory Screen	Awarded	07 Mar 23
PO 0012	Agitators	Awarded	24 Nov 22
PO 0013	Cyclones	Awarded	13 Feb 23
PO 0014	Samplers	Awarded	12 May 23
PO 0018	Sump Pumps	Awarded	15 Mar 23
PO 0026	On-Stream Analysers	Awarded	05 Apr 23
PO 0027	Crusher	Awarded	05 May 23
PO 0030	Backfill Batching	Awarded	30 Jan 23
PO 0031	Shotcrete Plant	Awarded	04 Nov 22
PO 0032	Auxiliary Fans	Awarded	Delivered
PO 0033	Displacement Pumps	Awarded	07 Jun 23
PO 0041	Main Fan UG mine	Awarded	31 Mar 23
PO 2003	Transformers MV	Awarded	13 Jan 23
PO 2005	Integrated E Rooms	Awarded	05 May 23
PO 2008	Emergency Generator Rupice	Awarded	Delivered
PO 2015	Temporary Lighting Rupice	Awarded	Delivered

Figure 5: Long Lead Time Order Status

2. OFFTAKE

The Company has finalised three of its four offtake contracts, the fourth is under final review, ahead of execution in October 2022.

3. SCHEDULE

With the Vares Project's construction programme now approaching 50% completion, the Company has a very high level of certainty as to the build time and delivery schedule of its full equipment requirements. The majority of equipment orders, including principal long-lead items, are expected within the delivery schedules anticipated in the 2021 DFS. However, the Company is not immune to the impact of supply chain disruptions affecting mining operations globally, particularly from continued COVID-19 related lockdowns on Chinese suppliers, leading to minor delays for some items.



To minimise execution risk and maintain the scheduled commissioning period for the Vares Processing Plant, the Company has revised its target date for first concentrate production from the end of Q2 to Q3 2023. The Company retains sufficient contingencies to offset this delay and will continue to proactively update the market as construction progresses. All four offtake agreements had been negotiated to include a 6-month grace period, and therefore the adjustment to initial concentrate delivery into Q3 2023 remains comfortably within the offtakers' expectations.

The project development team have identified a number of opportunities to reduce the delivery estimates of several components of the Vares Processing Plant and are actively working with contracted and alternative suppliers to realise these opportunities.

4. FINANCES

The final Project cost estimate has increased marginally since July 2022 from \$170m to \$173m, including contingency of \$10m. The change reflects minor increases in engineering costs, process plant equipment and electrical equipment, including adjustments based on recent contract awards. The change in first production date from the end of Q2 to Q3 2023 is expected to have only a minor impact on costs.

Of this total, 72% of capital expenditure excluding contingency is awarded, pending award, or recently quoted, as shown below:

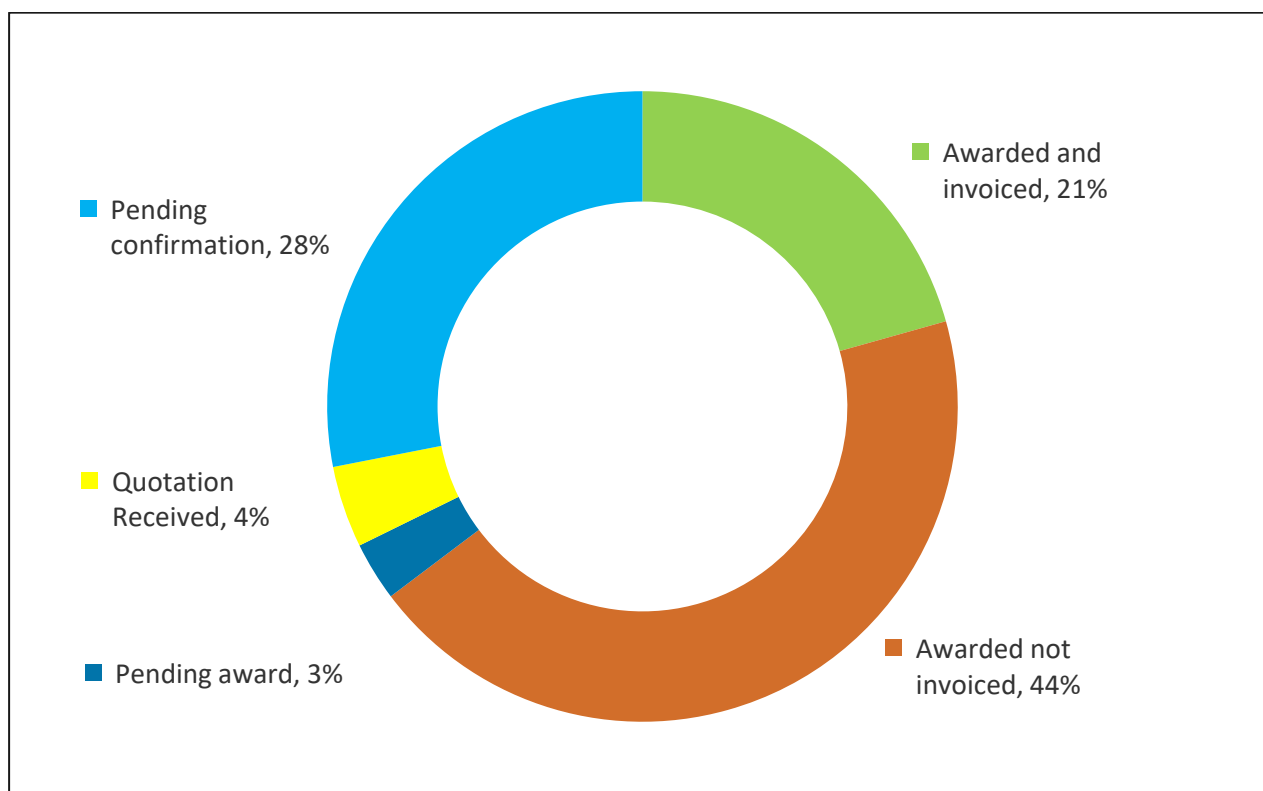


Figure 6: Breakdown of Committed Capital

Of the 28% of pricing that is not yet confirmed, approximately half relates to purchases and works to be performed by local contractors in Bosnia, including haul road construction.



Diesel prices for the Project have reduced since their peak in the first half of the year, although continued geopolitical events mean further increases in the remainder of the construction period will remain a threat. Bosnian electricity costs are capped annually, but costs are expected to slightly increase in 2023 to incentivise additional renewable energy installations by high demand users. Adriatic is currently paying 0.065/kWh, but as capacity demand increases with the commencement of production, a moderate increase in unit cost is expected later in 2023.

The Project benefits from a relatively low quantity of steel required and the fact that there is a cement plant in Kakanj and a steel foundry in Zenica, both approximately 70 km from Vares. Major steel components for the process plant have been ordered and delivered to site, with construction started in October 2022. The cost estimate reflects continued good advance rates and ground conditions in the declines, which are expected to continue for the remainder of the decline development.

The contingency of \$10m reflects a reduction in July 2022 from the original contingency of \$17.9m based on the high proportion of capex awarded, pending award or recently quoted (66% in July 2022). Since then, the proportion of awarded, pending award or recently quoted has risen to 72% but the contingency has been maintained at \$10m against potential increases during the remainder of the construction.

The Company's estimated cash balance on 30 September 2022 was \$66m, including \$0.7m received at the end of the month as proceeds from share option exercises by Directors.

The Company is close to completing the steps required to satisfy the conditions precedent to drawdown of the Orion project finance debt package and intends to be in a position to draw down from November 2022 as required. The Company therefore remains confident that it has more than sufficient resources to complete the Vares Project construction, whilst maintaining a healthy cash buffer.

5. HEALTH & SAFETY

Over the past few months Adriatic's focus has been on managing critical risks across an increasing amount of construction activity. There has been an introduction of new standards, systems and processes, with a particular focus on contractor management, throughout the lifecycle of operations.

Creating awareness around reporting has seen our lead indicators improve across the Project and a more proactive mindset is helping to improve day-to-day operations. The 12-month rolling lost time injury frequency has decreased by more than 50%.

The Adriatic team has commenced a safety training program using a purpose-built Virtual Reality training centre offering 13 different simulation modules. The Company has also commenced the development of a safety database to enable electronic workflows through smart tablets and phones, empowering both staff and contractors to report safety matters more efficiently and effectively.



Figure 7: Virtual Reality H&S Training, Vares

Staff Short Term Incentive Payment targets have been universally adjusted to incentivise all staff to reduce incidents, and importantly report hazards and near misses, resulting in a dataset that will enable our team to identify behavioural attributes that contribute to both positive and negative health & safety outcomes.

6. HUMAN RESOURCES

As Adriatic continues through construction, headcount has increased to 177 employees and 188 contractors in October 2022. Adriatic is committed to creating a sustainable mining company and this is demonstrated by providing training and development for each employee. The Company runs a performance development plan where each employee has their own tailored Individual Development Plan, which aims to improve their knowledge and skillset.

In addition, the Company is committed to keeping and exceeding, for the mining industry, a very high target of 25% female employees. In Q3 2022 Adriatic has risen to 27% female employees.

The Company constantly balances the needs of, and commitments to, all stakeholders including customers, employees, suppliers, and local communities, and not just its shareholders, through:

- scholarships to secondary school students;
- collaboration and coordination with universities in Bosnia and Herzegovina to provide students with the opportunity to learn about the most recent technological advances in mining, mineral processing & sustainability; and
- organising language learning interventions for the local community with the aim to facilitate greater opportunities to newly established businesses.



7. GEOLOGICAL DRILLING

The Company continues to progress parallel programs focused on resource/reserve infill and resource extensions to the northwest of the current Rupice Mineral Resource Estimate ("Resource"). 2022 has seen success across each program, resulting in the clear potential to extend mine life and optimise the mine plan ahead of first production next year.

Over 7,000m of resource infill drilling has been completed this year, with encouraging results that continue to confirm grade thickness and continuity within the existing Resource. Resource extension drilling to the northwest of Rupice has intersected mineralisation with similar tenor, thickness and continuity as seen in the Resource. Over 5,700m in 15 exploration holes have been completed on Rupice Northwest this year, with assays pending imminently. This year's successful results will feed into an updated Mineral Resource Estimate that will be completed for Q1 2023 and will include Rupice Northwest.

Looking ahead, the Company expects to drill through winter, with a continued focus on Rupice Northwest and extension opportunities around the existing Resource. Near-mine exploration will be supplemented by grade control drilling and geotechnical drilling to be completed from underground, providing the basis for optimal mine sequencing and plant feed.

Underground grade control drilling will commence in early Q1 2023. In addition to providing final grade control information, geotechnical drilling will be completed to inform ground conditions in planned development.

On regional exploration, the ground gravity survey has generated very promising results at the Semizova Ponikva (SP1 and SP2) targets as well as at Droskovac, and first pass drilling is planned for next year at these potential Rupice analogies.

8. GEOMETALLURGICAL WORK

Metallurgical test work by Wardell Armstrong International is complete for this stage of development. Blue Coast Research have completed the geo-metallurgical analysis of the metallurgical testwork in the context of the geological Resource and the planned mine development. An interim report was compiled at the beginning of June 2022 and a final report and conclusions was completed in September 2022. The test work and analysis confirm the metallurgical assumptions used in the 2021 DFS and subsequent designs.

The geo-metallurgical analysis confirms that there is a single dominant geo-metallurgical unit, being barite hosted lead, zinc and silver mineralisation. The analysis identified factors (such as lead/zinc ratios) which can influence metallurgical recovery and this data will be used to determine mining, stockpiling and blending strategies as well as processing plant operating parameters.

9. SUSTAINABILITY

Adriatic remains wholly committed to its shared prosperity and zero harm philosophy. At commencement of construction, the Company instigated its Environmental & Social Management



System, which includes biodiversity, water, soil, noise, air quality, waste management, constructor management etc.

This system includes an Environmental & Social Incident Frequency Rate mechanism which amongst other metrics, tracks grievances raised by the community. So far, in 2022, 8 grievances were lodged, mostly related to subcontractor works, and these have all been successfully resolved.

In line with the Environmental & Social Action Plan, there has been continuous monitoring of all sensitive environmental parameters, such as ground and surface water, noise, air and soil qualities. To date there have been no changes to baseline conditions through pre-construction and into construction.

The Company's Community Development Plan focuses on sustainable long-term initiatives to facilitate an increase in entrepreneurial activity, build capacity and resilience in our supply chain and work with local government to best prepare them for future revenues from the Project. With this plan the Company has committed to be an initiator of change in the development of our host communities and focus on activities that create non-mining jobs, opportunities for SME development and always a positive legacy.

In May 2022 Adriatic appointed Alpha Energy, an international energy and sustainability consultancy. Alpha Energy will build systems for reporting and identifying the following: Scope 1, 2 and 3 emissions, Net Zero scope and feasibility study, Streamlined Energy and Carbon Reporting, SBTi submission, CDP reporting and Task Force on Climate-Related Financial Disclosures. In addition, as part of the Company developing a Net Zero strategy, Adriatic is working together with Alpha Energy to determine the location of sites suitable for renewable energy projects.

Adriatic has commenced work on its first sustainability report. This 2022 report is planned for release in Q2 2023.

Working alongside experts from the European Bank for Reconstruction & Development, the Company has signed an agreement with local forestry authorities to work on biodiversity offsets and compensation. An operational plan has been developed, defining a total area of 110 hectares of degraded forest in the Vares municipality for rehabilitation. This programme will commence in October 2022.

The Adriatic Foundation continues to provide free English courses for all applicants from the Vares community. In addition, 30 scholarships for high school and university students have been provided.

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Market Abuse Regulation Disclosure

The information contained within this announcement is deemed by Adriatic (LEI: 549300OHAH2GL1DP0L61) to constitute inside information as stipulated under Article 7 of the Market Abuse Regulation (EU) No 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended ("UK Market Abuse Regulation").



The person responsible for arranging and authorising the release of this announcement on behalf of Adriatic 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 Project in Bosnia & Herzegovina, as well as the Raska Project in Serbia.

The Vares Project is fully-funded to production, which is expected in Q3 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 42km² 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.

