

28 November 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
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Ms Sandra Bates
NON-EXECUTIVE DIRECTOR

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NON-EXECUTIVE DIRECTOR

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VARES PROJECT UPDATE

HIGHLIGHTS

Vares Project

- 50% of total Project construction complete.
- Decline development is progressing as planned, with the lower decline currently at 277m and upper decline at 177m at 21 November.
- All long lead items ordered and equipment delivery is expected on schedule, with first concentrate production anticipated in Q3 2023.
- Construction of 24.5km Haul Road is well underway and on track for completion by Q3 2023.
- Exploration and infill drilling (88% complete) at Rupice continues, with results feeding into the planned Mineral Resource Estimate update in Q1 2023.
- Staff headcount increased to 183; contractor headcount totalling 222.
- Boliden, Trafigura and Transamine offtake agreements have been executed and finalised.

Finance Update

- Final Project cost estimate remains unchanged at \$173m.
- The Company retains sufficient working capital reserves and contingency of \$10m.
- 76% of capital awarded, pending award or recently quoted.
- The Group's estimated cash balance at 25 November 2022 was \$44.4m.
- All \$ amounts are US dollars.



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

"I am pleased to report that the Vares Project remains on schedule and on budget with first concentrate production planned for Q3 2023. Today the Project passed a significant milestone with 50% of project construction now complete. In addition, with 76% of the total construction capital committed, we will continue to address any remaining inflationary and budget concerns."

"In addition to the successful Project development, we are also approaching completion of the year-long confirmation and definition drilling programme at Rupice with exploration drills continuing to step-out along the Rupice Northwest extension. Both programmes are anticipated to increase the life of mine, as all holes have intercepted mineable thicknesses of massive and semi-massive sulphides."

"Our aim is to build a company - and not just a project. We are focusing Adriatic's zero-harm philosophy, prioritising the health and safety of our employees, contractors and host communities. There has been an introduction of new standards, systems and processes, with a particular focus on contractor management."

"With both the increasing levels of employment and the implementation of our community development plan we are delighted to see the positive economic impacts in the nearby town of Vares and the surrounding communities."

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").

1. CONSTRUCTION ACTIVITIES

Rupice Surface Infrastructure / Rupice Underground Mine

As at 25 November 2022, 50% of the total Project construction programme was completed. Rupice Surface Infrastructure works have advanced significantly over the past few months. Earthworks are progressing well and to date approximately 56% of earthworks have been completed. The stockpile pad excavation is 45% complete and the backfill pad construction is 85% finished. Further geotechnical drilling for the backfill pad is also fully completed.



Figure 1: Lower Portal

Decline Development

On 21 November 2022, the lower and upper decline development are 277 m and 177 m, respectively, which is a total of 521 meters mine development. This includes auxiliary development and the commissioning of the first two underground water sumps. The Company remains on track to open its first stopes in Q2 2023, three months before commissioning of the Vares Processing Plant.



Figure 2: Upper portal



Figure 3: Stockpile at Rupice (November 2022)

Site Utilities

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. For the Vares Majdan – Rupice 35kV buried power line and communications cable, the construction permits have been issued for Lots 1 & 5 where construction has commenced, and the construction permits for Lots 2, 3 & 4 are expected to be issued in late November. The construction for the main transformer station at Rupice will commence at the end of November.

The mining contractor workshop will be commissioned shortly which will encourage greater efficiency and safer operations onsite.

Haul Road, Rail Head Operations and Port

The 24.5km Haul Road development remains on target to connect Rupice and Vares ahead of first ore delivery requirements in Q3 2023. The Haul Road is split into 5 “Lots”, allowing for simultaneous construction by multiple civil works contractors.

- Haul Road LOT 1: contractor completed 2 km of the 5 km section.
- Haul Road LOT 2: construction permit obtained with felling of trees commenced in November. Construction contract has been awarded.
- Haul Road LOT 3: urban planning permit obtained. Detailed engineering project commenced in September. This will be followed by the construction permit application.
- Haul Road LOT 4: geotechnical drilling completed within the vicinity of the Smreka Lake. The geotechnical study is scheduled for completion by the end of the November. The detailed



engineering project is expected to be completed by the end of January, followed by the construction permit application.

- Haul Road LOT 5A (existing road): winter maintenance preparation is complete. LOT 5B: contract has been awarded and tree felling commenced.



Figure 4: Haul Road (November 2022)

A tender has been issued for the Haul Road and rail head fleet operator which will be awarded by the 2022. This tender includes provision for vehicle tracking and telemetry specifications.

The detailed engineering plan required to commence construction of Vares Majdan rail head facilities is underway with construction to commence in Q1 2023. The existing framework agreements with FBiH Railways have been updated to full-service agreements. These full-service agreements are required for operations and for FBiH Railways to commence refurbishment of the 25km dedicated rail from Vares Majdan to Podlugovi, where repair is required. From Podlugovi, which is south of Breza, the rail connects to the wider domestic Bosnian railway network. Preliminary inspection work has been undertaken on the stretch of railway line from Vares to Dabrovine.

An inspection visit of the port at Ploce is taking place in December to agree a schedule of work required ahead of first delivery of concentrate.



Vares Processing Plant



Figure 5: Vares Processing Plant (November 2022)

The installation of the Process Plant buildings is progressing well with concrete works for the flotation, grinding and workshop foundations now completed. For the warehouse and reagent storage area the concrete foundations are 70% complete.

The steel construction for the flotation building has been installed and 100% of the steel for the grinding building has been delivered and 80% installed. Concrete foundations for the filtration area have commenced and is 30% complete. All buildings remain on schedule for completion at the end of Q1 2023. Internal concrete construction and the installation of processing equipment will commence on schedule in Q4 2022.

A tender is underway for the building construction of the assay and metallurgical laboratory. Laboratory management have also been appointed.



Figure 6: Vares Processing Plant (November 2022)

New hires

Adriatic is pleased to announce the following new hires over past few months:

Sergei Smolonogov, Head of Exploration. Sergei is an Australian geologist with over 29 years of team development and leadership across Australia, Africa, Russia, Eurasia and America. His experienced and background spans ore control, resource development, exploration, and technical services management in gold, copper, silver, lead, zinc, and nickel.

Matt Hine, General Manager – Operations. Matt is an Australian mining engineer with over 20 years' experience in underground hard rock mining operations in Australia and New Zealand.

Iain Robertson, Chief Mine Geologist. Iain is a New Zealand geologist with 24 years of experience in operating underground gold mines. He is focused on mentoring on site geology professionals and setting up and embedding standards to ensure geological best practice.

Barry Hummer, Process Manager. Barry is a Canadian process manager with 37 years' experience in the field of metallurgy, maintenance, environmental, plant construction and operations in gold, bauxite, base metals, limestone, iron ore and potash, as well as supervision in each of these areas.

Sercan Baykal, Chief Mine Engineer. Sercan is a Turkish Chief Mine Engineer with 13 years' experience and technical expertise in underground and open-pit mine operations. He has expertise in the development and delivery of mining projects and a strong technical background.

2. OFFTAKE

Offtake contracts have been executed with Boliden, Trafigura and Transamine. Focus is now shifting to the logistics component of the offtake, with the Company interviewing shipping brokers, forwarding



agents and conducting a technical review of the port of Ploče's facilities in December ahead of first exports in 2023.

3. SCHEDULE

With the Vares Project's construction programme now at 50% completion, the Company remains on schedule for first concentrate production in Q3 2023. All orders for all long lead time items have been placed and deliveries currently tracking to project schedule. A third-party freight services provider has been appointed and overseas deliveries have begun arriving to site.

The Company retains a high level of certainty as to the build time and delivery schedule of its equipment requirements. The majority of equipment orders, including principal long-lead items, are expected within the delivery schedules anticipated in the 2021 DFS. The Company retains sufficient contingencies and will continue to proactively update the market as construction progresses.

4. FINANCES

The final Project cost estimate remains at \$173m, including contingency of \$10m.

Of this, a total 76% of capital expenditure excluding contingency is awarded, pending award, or recently quoted, as shown below:

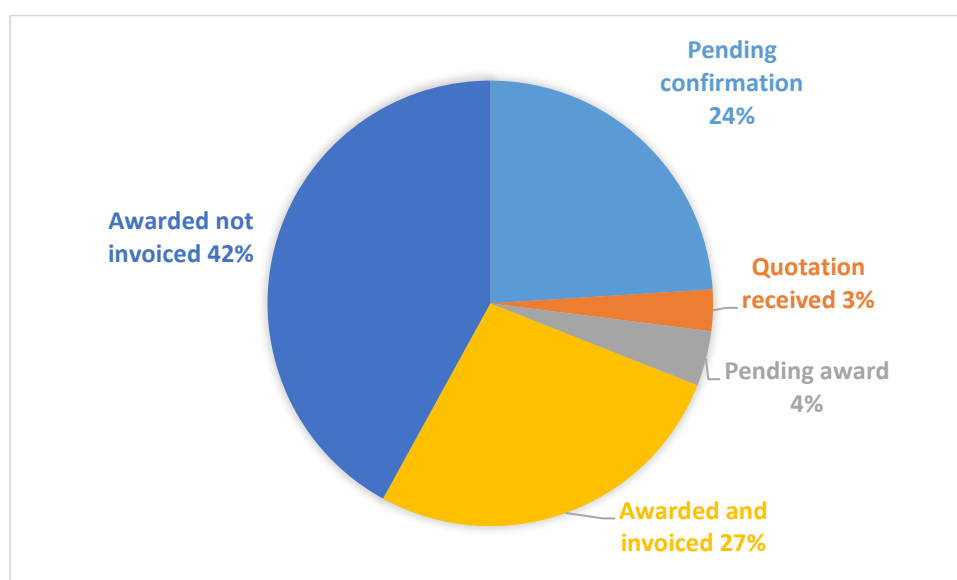


Figure 7: Breakdown of Committed Capital – 23 November 2022

Of the 24% 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.

The Company's estimated cash balance on 25 November 2022 was \$44.4m



During November the Company successfully completed substantially all of the conditions precedent required to draw down on the Orion financing package, with remaining items to be completed immediately prior to closing. As the Company has a strong balance sheet, Adriatic will defer the drawdown of the stream and senior secured debt to reduce the cost of capital.

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.

The Company is developing its emergency and crisis management policies and responses. Adriatic has engaged Technical Rescue International (TRI), a London based company specialising in emergency and crisis management. During the month of October, the following was completed:

- interviews with all key personnel, contractors and relevant authorities;
- detailed gap analysis of systems, equipment, capability, and capacity;
- developed a strategic risk register and emergency risk register;
- developed a short-term crisis management procedure; and
- identified key decisions and next steps.

The safety culture programme 'Creating Safe Work' has been finalised and was launched on 14 November with the aim of training the leadership, exploration and mining teams by the end of 2022.

In September Adriatic signed an agreement with Safety Culture to use their iAuditor software. The platform was launched in November and progressive take up will take place over the next 3-5 months, as forms are built within the platform.

6. HUMAN RESOURCES

As Adriatic continues through construction, headcount has increased to 183 employees and 222 contractors as at 25 November 2022. In Q3 2022 the Company has also exceeded its target of 25% female employees with now accounts for over 28%. Adriatic is committed to creating a sustainable mining company and this is demonstrated through a performance development plan where each employee has their own tailored Individual Development Plan to improve their knowledge and skillset.

In November Human Resources launched an Employee Engagement survey. This will allow Adriatic to gauge morale and establish how satisfied employees are with their roles and workloads. It will also help identify areas where work can be more fulfilling for employees, leading to greater productivity.

The Company continues to provide English language training, with 93 employees currently in the programme. Driving licence training also continues with four employees having successfully completed the training, and one employee is currently attending practical classes. In November culture competence training commenced with the training being delivered in English, Bosnian and Turkish.



7. GEOLOGICAL DRILLING

The Company continues to progress infill drilling of the Rupice Mineral Resource Estimate (“Resource”), in parallel with continued expansion and infill of the Rupice Northwest discovery. A drilling gap of only 90m currently separates Rupice Northwest from Rupice mineralisation with strong indicators both will connect as drilling advances into the gap zone.

2022 has seen significant success across each programme, resulting in the clear potential to extend mine life and optimise the mine plan, ahead of first production in 2023.

At Rupice, over 7,700m of resource infill and step-out drilling has been completed this year. Rupice results continue to confirm grade thickness and continuity within the existing Rupice Resource. The drilling also highlights that Rupice mineralisation is still to be closed-off up-dip, down-dip and up-plunge (to the southeast). There will also be an update to the Rupice Mineral Resource Estimate early next year.

Rupice Northwest exploration drilling intersected mineralisation with similar tenor, thickness and continuity as seen in the Rupice Resource. Over 7,900m of diamond coring from 26 exploration holes has been completed across Rupice Northwest this year. Significant assays continue to be returned and are pending validity checks. Results correlate well with logged visual sulphide zones in core. Tight fan drilling is defining a continuous body now more than 250m in strike length, and greater than 160m in width, from 6m to 30m in thickness, moderately dipping to the northeast and plunging moderately to the northwest. The mineralised system remains open along strike, up- and down-dip and no obvious major faulting displaces mineralisation.

Rupice Northwest drilling results to end of November will form the basis of a Maiden Rupice Northwest Mineral Resource Estimate that will be completed in 2023.

Looking ahead, the Company expects to drill through winter, with a continued focus on Rupice Northwest and extension opportunities around the existing Rupice Resource. Closure of the 90m drilling gap separating Rupice Northwest from Rupice is a priority.

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 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. SUSTAINABILITY



Adriatic remains wholly committed to its shared prosperity and zero harm philosophy. The Company continue to progress its Environmental & Social Management System (ESMS) with regular environmental monitoring taking place. An update of the environmental and management plan is in process (which also includes stakeholder engagement) and is expecting to be finalised by the end of December 2022.

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

In October increased water monitoring was implemented for Bukovica river in conjunction with the municipal water company, further demonstrating Adriatic's commitment to preserving the quality and flow of water courses in the neighbouring areas.



Figure 8: Water monitoring (November 2022)



Figure 9: Water monitoring (November 2022)



Activities with Alfa Energy have continued, including work on sustainability strategy and calculation expectations of Greenhouse Gases (GHG) during construction works and predictions for the operational phase. Streamlined Energy and Carbon Reporting data collection for 2022 is also in progress. Alfa Energy has also commenced preparing the Life Cycle Assessment (LCA) for the operational phase and this is expected to be completed in July 2023. As Adriatic moves towards developing a Net Zero strategy, the team is working together with Alfa Energy to determine the location of sites suitable for renewable energy projects. Adriatic recently signed an MoU with Norwegian renewable energy supplier, Emergy, for cooperation on the development of a 30 MW solar facility for direct supply to the Vares Processing Plant.

Adriatic has commenced work on its first Sustainability Report, which is planned for release in Q2 2023, and data preparation for the report is in progress. Alfa Energy will provide inputs including GHG, LCA, and positive steps to reach net zero, and data collection is in progress.

Over the past few months, the Community Development Plan has been finalised and activities are underway alongside regular communication with community representatives. In October 2022, the two-year term for members of the Public Liaison Committee (PLC) came to an end. New members have been selected, with representatives from government and non-governmental institutions from Vares, and neighbouring municipalities, Breza and Kakanj. The first meeting of the newly appointed PLC was held on 9 November 2022.

The Adriatic Foundation has supported local projects related to the environment, such as support for the local fishermen association to improve fish stocks and for the local hikers' association to install solar power panels on a mountain lodge that was previously without electricity. In November 2022, the Adriatic Foundation also invited submissions of additional projects related to environmental protection.

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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.