

26 APRIL 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 March 2022
("Q1" or "Quarter")**

HIGHLIGHTS IN THE QUARTER

Vares Silver Project, Bosnia & Herzegovina:

- Completion of US\$142.5 million debt financing package with Orion
- Vares Silver Project construction activities update
 - Access road construction to the upper and lower portal pads at Rupice commenced in November
 - Letter of intent signed with underground mining contractor
 - Engineering and procurement contractor appointed
 - Recent further backfill test results show opportunity to reduce environmental impact of tailings storage facility as well as lowering mining costs
 - Commenced issuing of purchase orders for long lead order mechanical equipment packages
 - A number of key hires made in the project delivery team
 - New exploration drilling company appointed
- Appointment of experienced mining executive Mike Norris as CFO
- Release of 2021 Annual Report
- Offtake Heads of Terms agreed post quarter end

Corporate

- Cash balance at 31 March 2022 of US\$100.5 million.

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

"I am delighted with the progress the Vares Silver Project has made over the past quarter. The Project remains on track for production in Q2 2023, and despite witnessing areas of cost inflation it has not impacted on the overall project budget nor the project development timeline. In any case, the Company is sitting in a robust funding situation with US\$101 million of cash on hand, as well as a further US\$142.5 million of currently undrawn debt from Orion. In addition, we have continued to make key appointments to build out the Project's in-house technical capability."



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 March 2022 ("Q1" or "Quarter").

1. COMPLETION OF US\$142.5 MILLION DEBT FINANCING PACKAGE WITH ORION

On 10 January 2022, the Company advised that further to the announcement on 12 October 2021, definitive documentation for the US\$142.5 million debt financing package with Orion Resource Partners (UK) LLP ("Orion") had been executed. The terms of the Orion Debt Package have not changed since they were originally announced on the 12 October 2021 and comprise of:

- US\$120.0 million senior secured debt (the "Senior Secured Debt"); and
- US\$22.5 million copper stream (the "Copper Stream")

The Company is now fully funded to production from the Vares Silver Project, with first production expected in Q2 2023.

The debt financing package includes a donation by Orion to the Adriatic Foundation of US\$100,000 per annum during the repayment period of the Senior Secured Debt. Tamesis Partners LLP is also contributing US\$10,000 of its fee to the Adriatic Foundation. The Adriatic Foundation was set up in June 2021 with the objective of supporting the communities around the Vares Silver Project, through initiatives designed to create a positive long-term legacy, as well as alignment between the Company and the communities that the Foundation supports. The Foundation's initiatives are specifically focussed on improving local education, healthcare and environmental protection.

2. VARES PROJECT CONSTRUCTION ACTIVITIES UPDATE

On 28 February 2022, the Company provided an update on recent operational developments at the Vares Silver Project ("Project"). Construction activities started on time in November 2021 and the Project remains on track for first production in Q2 2023.

Engineering Contractors Appointed

Appointment of Ausenco as the engineering and procurement ("EP") contractor. Ausenco delivered both the Project Pre-Feasibility Study and Feasibility Study.

Appointment of Paterson & Cooke (UK) Ltd for the detailed design of the backfill plant and shotcrete plant at the Rupice Surface Infrastructure site.

Backfill Engineering Testwork

Promising initial results from backfill engineering testwork indicate the opportunity to significantly increase the tailings content used in the backfill. Subject to final test results being successful, this will reduce both mining costs and the quantity of tailings deposited on the dry stack tailings storage facility, further minimising the environmental impact of the Project.



Long lead time orders

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

Construction Activities Progressing

Access road construction at the Rupice Surface Infrastructure site commenced in November 2021 and is progressing well. To date, access road sites have been cleared and a road constructed from the northern access road to Rupice (from Kakanj) to the site of the upper and lower portal pads.



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

Detailed Design Work Targeting Cost Savings

Modifications were 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 and improved the efficiency of ore haulage truck movements at the site.

Design of the lower decline access to the Rupice underground mine was modified to further improve the flexibility of ore haulage truck movements that will not only improve the cycle time of the ore haulage trucks, but also greatly improve operational flexibility underground.

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. The current headcount of this team is 29. Notable recent hires within the team include Adriana Tufis as Project Manager, Anes Hasecic as Civil Construction Manager, Ruben Fernandez Barrado as Underground Mine Manager, Fehim Velic as Electrical Engineer Manager, Jonathan Rao as Process Manager and Nermin Taletovic as Senior Mine Hydrogeologist.



Figure 2: Group photo in Vares, December 2021

3. APPOINTMENT OF CFO

On 14 March 2022, the Company announced the appointment of experienced mining executive, Mike Norris, as the Company's Chief Financial Officer ("CFO"), with immediate effect.

Mr. Norris is a qualified Chartered Accountant with over 30 years of commercial and operational experience in the mining industry. Mr. Norris was most recently CFO at ASX-listed Highfield Resources, based in Spain. Prior to that, he was Finance Director for London-listed, African gold producer Avocet Mining PLC, where he oversaw the construction and commissioning of the Inata mine. He has also held the positions of Head of Business Performance at Anglo American and CFO of Kennecott Greens Creek Mining Co., an underground silver-zinc mine, when it was then owned by Rio Tinto.

4. RELEASE OF ANNUAL REPORT

The Company released its 2021 Annual Report on 29 March 2022. It is available on the Company's website - <https://www.adriaticmetals.com/investors/financial-reports-2/>

5. OFFTAKE HEADS OF TERMS AGREED

During the Quarter, negotiations were advanced with several potential offtakers. After the quarter end, on 20 April 2022, the Company announced the agreed heads of terms ("HoT") with four international commodities trading and smelting companies ("Oftakers") for the purchase of concentrate production from the Vares Silver Project.

The HoT, subject to final contract negotiations, will be allocated to the Oftakers as follows:

- Zinc concentrate to Trafigura Pte Ltd, Transamine SA and a major European smelter; and
- Silver-lead concentrate to Glencore International AG and Transamine SA.

The HoT are broadly in line with the baseline assumptions used in the feasibility study announced on 19 August 2021 ("2021 DFS"). It is anticipated that all of the zinc concentrate will be shipped directly to European smelters, and that the silver-lead concentrates will be smelted both in China and Europe. For clarity, the Company has not engaged in any commodity price hedging.

The Company appointed Swiss-based commodities advisory firm Deno Advisory to advise on the negotiation and execution of the offtake process. The Company's legal advisors, Herbert Smith



Freehills LLP, are now engaged to prepare the definitive offtake contracts.

6. NEW CONCESSIONS ADDED AT VARES

The concession area package around the Vares Project continues to expand with the addition of the *Saski Do* concession added during the quarter – see Tenement Holdings section below.

The new concession area layout for the Vares Project, including pending new concession applications, is shown below in Figure 3.

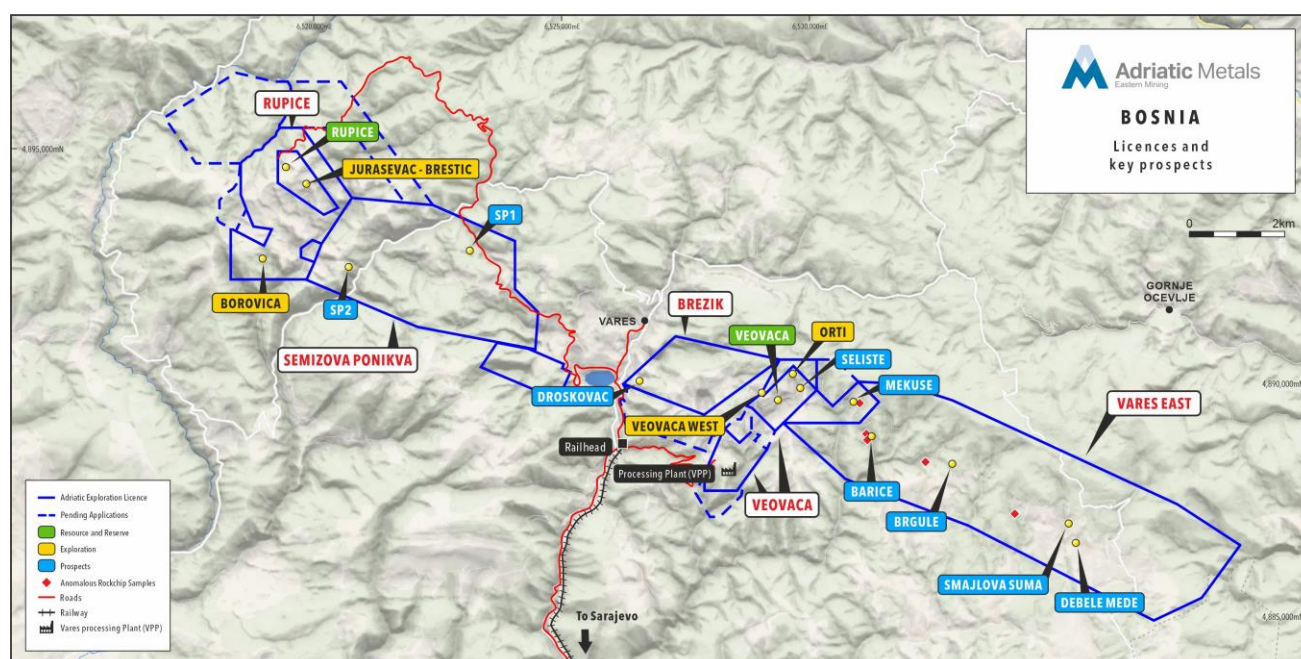


Figure 3. Map of the Vares Project licences

6. 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:

	USD'000
Exploration & Evaluation (capitalised)	1,367
Exploration & Evaluation (expensed)	477
Staff costs	1,419
Administration and corporate costs	1,789
Property, plant and equipment acquisitions	3,945
Interest paid	425
Other: VAT Inflow	<u>(220)</u>



Total

9,202

7. Payments to Related Parties

During the Quarter, Adriatic paid an aggregate total of \$261k to Directors, or companies controlled by them, consisting of salaries, fees, and reimbursement / recharge of corporate office facilities and associated services used / provided by the Company. This is disclosed in Item 6 of the accompanying Appendix 5B Cash Flow Report.

8. Tenement Holdings

In accordance with ASX Listing Rule 5.3.3 please find below the Company's tenements as at 31 March 2022. 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-13	11-Mar-38
				Veovaca 2	0.91	12-Mar-13	11-Mar-38
				Rupice-Jurasevac, Brestic	0.83	12-Mar-13	13-Mar-38
	Annex 3 - Area	No.: 04-18-21389-3/18	Eastern Mining d.o.o.	Rupice - Borovica	4.52	14-Nov-18	13-Nov-38
	Extension			Veovaca - Orti - Seliste - Mekuse	1.32	14-Nov-18	13-Nov-38
	Annex 5 - Area	No: 04-18-14461-1/20	Eastern Mining d.o.o.	Orti-Selište-Mekuše- Barice-Smajlova Suma-Macak	19.33	3-Dec-20	3-Dec-50
	Extension			Droskovac - Brezik	2.88	3-Dec-20	3-Dec-50
				Borovica - Semizova Ponikva	9.91	3-Dec-20	3-Dec-50
	Exploration License	Pending	Eastern Mining d.o.o.	Saski Do	1.28	24-Dec-21	Pending
Serbia	Exploration License	310-02-1721/2018-02	Ras Metals d.o.o.	Kizevak	1.84	3-Oct-19	16-Oct-22
	Exploration License	310-02-1722/2018-02	Ras Metals d.o.o.	Sastavci	1.44	7-Oct-19	16-Oct-22
	Exploration License	310-02-1114/2015-02	Taor d.o.o.	Kremice	8.54	21-Apr-16	26-Jul-22
	Exploration License	310-02-00060/2015-02	Deep Research d.o.o.	Rudno Polje Raska	81.39	28-Dec-15	18-Feb-22*
	Exploration License	310-02-01670/2021-02	Global Mineral Resources d.o.o.	Kaznovice	37.1	22-Nov-21	22-Nov-24

* Raska concession is pending renewal, application for extension has been submitted, the Company is awaiting to receive confirmation of extension from authorities.



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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.

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

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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.



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 MARCH 2022

Consolidated statement of cash flows	(a) Current quarter USD'000	(b) Year to date (3 months) USD'000
1. Cash flows from operating activities		
1.1 Receipts from customers	0	0
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(477)	(477)
(b) development	0	0
(c) production	0	0
(d) staff costs	(1,419)	(1,419)
(e) administration and corporate costs	(1,789)	(1,789)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	0	0
1.5 Interest and other costs of finance paid	(425)	(425)
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	0	0
1.8 Other - VAT refund / (outflow)	220	220
1.9 Net cash from / (used in) operating activities	(3,890)	(3,890)



Consolidated statement of cash flows		(a) Current quarter USD'000	(b) Year to date (3 months) USD'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	0	0
	(b) tenements	0	0
	(c) property, plant and equipment	(3,945)	(3,945)
	(d) exploration & evaluation (if capitalised)	(1,367)	(1,367)
	(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	0
	(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	(5,312)	(5,312)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	0
3.2	Proceeds from issue of convertible debt securities	0	0
3.3	Proceeds from exercise of options and warrants	2	2
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(18)	(18)
3.5	Proceeds from borrowings	0	0
3.6	Repayment of borrowings	0	0
3.7	Transaction costs related to loans and borrowings	(1,692)	(1,692)
3.8	Dividends paid	0	0



Consolidated statement of cash flows		(a) Current quarter USD'000	(b) Year to date (3 months) USD'000
3.9	Other (Pre-acquisition loan to Tethyan)	0	0
3.10	Net cash from / (used in) financing activities	(1,708)	(1,708)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	112,506	112,506
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,890)	(3,890)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5,312)	(5,312)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,708)	(1,708)
4.5	Effect of movement in exchange rates on cash held	(1,089)	(1,089)
4.6	Cash and cash equivalents at end of period	100,507	100,507

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 USD'000	(d) Previous quarter USD'000
5.1	Bank balances	100,507	112,506
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)	100,507	112,506



6. Payments to related parties of the entity and their associates	(e) Current quarter USD'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	261
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 USD'000	(g) Amount drawn at quarter end USD'000
7.1 Loan facilities	162,500	20,000
7.2 Credit standby arrangements	0	0
7.3 Other (please specify)	0	0
7.4 Total financing facilities	162,500	20,000

7.5 Unused financing facilities available at quarter end	142,500
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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.

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.

In addition, the US\$142.5 million Orion Debt Financing package comprises of US\$120 million debt facility and US\$22.5 million copper streaming arrangement. The facility is subject to the Company satisfying standard conditions precedent prior to drawdown. For further details see announcement dated 10 January 2022.



8.	Estimated cash available for future operating activities	(h)	USD'000
8.1	Net cash from / (used in) operating activities (Item 1.9)		(3,891)
8.2	Capitalised exploration & evaluation (Item 2.1(d))		(1,367)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)		(5,257)
8.4	Cash and cash equivalents at quarter end (Item 4.6)		100,507
8.5	Unused finance facilities available at quarter end (Item 7.5)		142,500
8.6	Total available funding (Item 8.4 + Item 8.5)		243,007
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)		46.2

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: 25 April 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.