

ANNUAL REPORT

FOR THE YEAR ENDED
31 DECEMBER 2021

BUILDING EUROPE'S NEXT
OPERATING MINE





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.

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2

STRATEGIC REPORT

- 2 Business Review
- 4 Chairman's Statement
- 6 Strategy
- 7 Business Model
- 8 Vares Project Feasibility Study
- 22 Adriatic Foundation
- 24 Diversity
- 24 Social & Human Rights
- 25 Covid-19 Impact
- 26 Principal Risks and Uncertainties
- 36 Directors' Section 172(1) Statement
- 43 Principal Decisions by the Board During the Year
- 44 Our Assets
- 50 CEO Statement
- 52 Operational Review
- 56 Financial Review

60

GOVERNANCE REPORT

- 60 Corporate Governance Report
- 70 Audit & Risk Committee Report
- 74 Environmental, Social & Governance Committee Report
- 80 Remuneration & Nominations Committee Report
- 98 Directors' Report
- 110 Statement Of Directors' Responsibilities

111

FINANCIAL STATEMENTS

- 112 Independent Auditor's Report to the members of Adriatic Metals PLC
- 119 Consolidated Statement of Financial Position
- 120 Consolidated Statement of Comprehensive Income
- 121 Consolidated Statement of Changes in Equity
- 123 Consolidated Statement of Cash Flows
- 164 Notes to the Consolidated Financial Statements
- 161 Parent Company Statement of Financial Position
- 162 Parent Company Statement of Changes in Equity
- 163 Parent Company Statement of Cash Flows
- 164 Notes to the Parent Company Financial Statements

173

ADDITIONAL ASX INFORMATION (UNAUDITED)

HIGHLIGHTS OF THE YEAR ENDED 31 DECEMBER 2021

BUSINESS REVIEW



FEASIBILITY STUDY

The Vares Project Feasibility Study was completed in August 2021 with a simplified process flowsheet that significantly de-risks project execution. Initial capital cost estimate reduced by US\$4.8 million to US\$168.2 million, post-tax NPV₈ improved by US\$22 million to US\$1,062 million and the post-tax IRR increased from 113% to 134% compared to the 2020 Preliminary Feasibility Study.



ENVIRONMENT & SOCIAL IMPACT ASSESSMENT

Adriatic Metals plc and its subsidiaries (the Company) released its Environmental & Social Impact Assessment (ESIA) for the Vares Project during Q4 2021 to conform with the Performance Requirements ("PR") set out in the European Bank for Reconstruction and Development's ("EBRD") 2019 Environmental and Social Policy, as well as taking into consideration, amongst others, the World Bank's International Finance Corporation ("IFC") Performance Standards and the recently published findings of the Global Tailings Review.



EXPLORATION

Vares Project, Bosnia & Herzegovina

- Step-out exploration drilling intersected high-grade massive sulphide mineralisation as far as 145 metres northwest of Rupice underground deposit.
- Concession wide airborne geophysical survey completed in Q2 2021.



CONCESSION RIGHTS AND PERMITS

Vares Project, Bosnia & Herzegovina

- Veovaca Exploitation Permit and Rupice underground deposit Environmental Permit both received in Q1 2021.
- Urban Planning Permit for the Rupice underground deposit received in Q2 2021.
- Exploitation Permit for the Rupice underground deposit received in Q3 2021, marking the final permit required to commence construction.
- Exploration permit received in Q3 2021 for the additional 32km² of concession area extension originally granted in September 2020.

Raska Project, Serbia

- Awarded a new licence area in Q4 2021, called Kaznovice, southwest of the existing Raska Project concession area in Serbia. The 37 km² of new licence area increases the total licence area held within the Raska project by over 35% to 136km².

ADRIATIC FOUNDATION

The Adriatic Foundation was established as a charitable trust in Bosnia & Herzegovina with the objective of supporting the communities around the Vares Project to create a positive long-term legacy. Donations of more than €500,000 have been received by the Foundation thus far.

FINANCIAL

Secured US\$244.5 million project finance package which provides the Group with sufficient funding through to the production of the Vares Project. The package consists of:

- US\$142.5 million project finance debt package from Orion Resource Partners, comprising US\$120 million in senior secured debt, and a US\$22.5 million copper stream; and,
- An equity raise of US\$102 million, which included a US\$50 million subscription from Orion Resource Partners, and issuing 49.4 million new ordinary shares in total.

Cash balance at 31 December 2021 of US\$112 million (£83.2 million) and undrawn debt of US\$142.5 million.

CORPORATE

In Q1 2021, the Company exercised an option to acquire the remaining 90% of Ras Metals d.o.o. in Serbia.

Concurrent with the Q4 2021 equity raise of US\$102 million, Sandfire Resources Limited sold down its entire 16% ownership in Adriatic, ceasing to be shareholder going forward.

GOVERNANCE

Board stability and management evolution continues to align management skills with operational objectives and increase independence of the Board.

Board Evaluation exercise completed.

Corporate risk register updated to reflect the transition to construction.

2021 WAS THE YEAR THE COMPANY TRANSITIONED FROM EXPLORER TO DEVELOPER

CHAIRMAN'S STATEMENT



Michael Rawlinson
Chairman of the Board

I am pleased to report that in the 12 months since our previous annual report, we have made exceptional progress towards our main objective of advancing the Vares Project into construction: In July 2021, the final permit was received to commence construction; in August an outstanding Feasibility Study was delivered and in October an equity raise was completed alongside a signed project finance term sheet with Orion Resource Partners to fully fund the project into production.

With construction activities now underway, this marks one of the fastest paces of development for any junior mining company. The Company has advanced from exploration discovery to construction in less than 5 years.

KEY MILESTONES

The Environmental Permit was issued for the Rupice underground deposit in February and was later followed by the issue of the Urban Planning Permit by the Federal Ministry for Spatial Planning in June. The Exploitation permit was subsequently issued in July 2021, which was the final required permit to commence construction. The strong progress on permitting was only made possible through the enthusiastic, dedicated and professional support shown by our partners in the communities and in government at local, cantonal and federal levels.

The Vares Project Feasibility Study was announced on 19 August 2021. This projected an impressive post-tax project NPV8 of US\$1.1 billion, an improvement of US\$22 million over the 2020 PFS. The estimated project capital cost requirement was reduced to US\$168.2million, a US\$4.8 million reduction from the 2020 PFS. The post-tax IRR increased from 113% to 134%. The Feasibility Study was focused on de-risking the project execution by removing the inclusion of mining the Veovaca open pit and removing barite recovery, which simplified the process flowsheet and reduced the the number of concentrate products streams from four to two (a zinc concentrate and a silver-lead concentrate).

The project team has immediately transitioned to the various workstreams necessary to commence construction. This included a number of new appointments to further build out our in-house technical capability. Construction activities commenced in late November 2021 with civil earthworks around the Rupice Surface Infrastructure focused on building the access roads to the portals ready for decline development which are expected to commence in spring 2022.

The Company announced its project finance package for the Vares Project in October. It included a private placement of US\$102 million and a debt package of US\$142.5 million. The debt package, along with US\$50 million of equity, was provided by Orion Resource Partners. Concurrently, a secondary placement also took place where the 16.1% shareholding held by Sandfire Resources was sold down and placed with a number of institutions. Almost two-thirds of the demand for both the primary and secondary placement came from funds within the UK, broadening our shareholder base. The, admission of shares occurred on 1 November 2021. Definitive document for the debt package was executed post year end on 10 January 2022.

We welcome our many new shareholders who took place in the primary placement, as well as the concurrent secondary placement. We also thank Sandfire Resources for their support in Adriatic since their initial investment was made at IPO back in 2018.

We are also very excited to have received the exploration license issued for the 32km² concession area extension that was originally granted in September 2020. The new concession area is highly prospective and takes the total concession areas permitted for exploration to 41 km². Drilling continued to focus around Rupice in H2 2021, however we have plans for drilling on these new areas during 2022.

We have been incredibly encouraged by the new mineralised zone discovered northwest of Rupice. In Q3 the first hole delineated high grade mineralisation that appears to be slightly off to the northwest of the Rupice underground deposit. The Company continues to work with Zenica-Doboj Canton on its application to extend the Vares Project's concession area boundary further northwest along strike.

We made great progress on our Environmental and Social plan for the project with the ESIA that was released for public review on the 27 October 2021. The undertaking of the ESIA was a voluntary exercise and not required in Bosnia & Herzegovina, which is the reason why it was the first ESIA produced by a private company in Bosnia & Herzegovina. The high standard to which it was produced was praised by our local partners, as well as our financial partners EBRD and Orion. In June 2021, we formed a Bosnian registered charity, called the Adriatic Foundation, with the purpose of investing in initiatives to improve education, healthcare and the environment in the communities surrounding the Vares Project.

The cash balance at 31 December 2021 was US\$112 million (£83.2 million). In addition, to the private placement of US\$102 million received, an undrawn \$142.5 million debt facility ensures the group is fully financed through to production at the Vares Project.

BOARD AND MANAGEMENT CHANGES

2021 was the year the Company transitioned from explorer to developer. There were no changes to the Board during the year, however the ongoing strengthening of the executive management and operations team continued. Our Managing Director and Chief Executive Officer Paul Cronin has showed great leadership in his decision to move to Bosnia & Herzegovina at the beginning of the year which I am certain has augmented the great progress we have made in the project there this year. We commenced the hiring of the project delivery team who will be responsible for delivering the Vares Project under the leadership of Project Director, Collin Ellison. Over the course of 2021 the Group headcount has increased by 39 to 133. Notable hires to deliver the project are as follows:

Collin Ellison,
Project Director

Adriana Tufis,
Project Manager

Ruben Fernandez Barrado,
Underground Mine Manager

Jonathan Rao,
Processing Manager

Mark Richards,
Logistics and Procurement Manager

In addition, we hired Thomas Horton, Head of Corporate Development and Investor Relations, to professionalise our communications with investors and to develop our project pipeline post-production.

The Company announced on 14 March 2022 that the Geoff Eyre, the incumbent Chief Financial Officer and Joint-Company Secretary, would be leaving the Company after a short transition period and handing over the Chief Financial Officer responsibilities to Mr. Norris who is a qualified Chartered Accountant with over 30 years of commercial and operational experience in the mining industry.

The Board remains committed to good corporate governance, the Quoted Company Alliance's Corporate Governance Code (QCA Code) and to aligning the skills and experience of the Directors and management with the needs of the Vares Project as it advances toward production. On the governance front we also made good progress, having conducted a constructive board evaluation. Our remuneration policy was also

overhauled in preparation to becoming a producer with a balanced scorecard of metrics to ensure management are incentivised to deliver the Vares Project on time and on budget, but also safely and in a socially constructive manner.

IMPACT OF COVID-19

The global COVID-19 pandemic required us, like many of our peers, to continue to adapt our operational plans and maintain the strict safety protocols to protect our staff and our local community during the period that were first implemented in 2020. Our operational productivity continues to be only minimally affected and the Company has been able to continue to deliver on its key milestones. Whilst there are still certain restrictions imposed on our activities by the crisis, we are confident of our ability to adapt to this dynamic situation and continue to deliver the Vares Project on time.

On behalf of the Board, I would like to thank the management and employees for their ongoing determination and hard work which has resulted in a tremendous number of positive achievements during the period delivered safely and with probity and good humour. I look forward to 2022 being another exciting year of progress.

Michael Rawlinson
Chairman of the Board

A CLEAR STRATEGY AND DIRECTION

STRATEGY

Adriatic is a precious and base metals developer focused in Southeast Europe. The Company's vision is to build a European-focused, multi-asset mining company.

In order to achieve this long-term vision, while concurrently delivering shareholder returns, the Company is primarily focused on creating value through the development of its current asset portfolio. However, where value-accretive, the Company will expand its pipeline of projects through opportunistic acquisitions.

In addition, the Company is committed to setting a high standard in responsible extraction of its mineral resources. Core to this strategy is setting a high benchmark for Environmental, Social and Governance (ESG) standards, not only in comparison to its European peers, but also across the mining industry globally. Since 2020 EBRD has been a shareholder in the Company. A project support agreement between EBRD and Adriatic commits the Company to international best practices and to working to the standards set out in EBRD Performance Requirements as well as the Equator Principles, and the IFC Performance Standards.

In the short-to-medium term, Adriatic's strategy will continue to leverage its competitive advantages, of:

- its early mover advantage in Bosnia & Herzegovina. The Company is the only publicly-listed development-stage mining concession holder in the country. Bosnia & Herzegovina has a rich mining history, a promising outlook, highly prospective geology and a stable fiscal and political system;
- an experienced, capable and multi-disciplinary management team which includes well regarded mining professionals with a track record of project delivery and operating success;
- its strong cash position, which fully-funds the Vares Project to production;
- the high-margin project economics for the Vares Project, as determined by the 2021 Feasibility Study; and
- a strong commitment to contribute to the sustainable development of the communities associated with our operations, to ethical conduct in all our business activities and a focus on the professional management of ESG aspects of the project.





BUSINESS MODEL

The primary focus of Adriatic is advancing the construction of the Company's flagship asset, the Vares Project in Bosnia & Herzegovina, followed by the continued exploration of the Zinc-Silver Raska Project in Serbia.

Adriatic, through its wholly owned subsidiary company, Eastern Mining d.o.o., owns 100% of the Project concession, which is located in the municipality of Vares, within the Zenica-Doboj canton, approximately 50km north of the Bosnian capital of Sarajevo. The Project's underground deposit, called Rupice, has high-grade silver and zinc dominant polymetallic mineralised widths of up to 65m from 250-300m deep. In August 2021, a Feasibility Study was completed that further improved on the economics of the 2020 Pre-Feasibility Study and the 2019 Scoping Study. These engineering studies confirm the robust, high-margin project economics, however with reduced execution risk due to the simplification of the Feasibility Study flow sheet, as the number of concentrate products produced was reduced from four to two (a zinc concentrate and a silver-lead concentrate).

The Vares Project is in the construction phase, for which it is fully permitted and fully funded. Construction activities commenced in late Q4 2021 and the Company expects to commence production in Q2 2023.

To date, exploration activities have only been focused around the Rupice and Veovaca deposits. This includes geophysical programmes, LIDAR survey, soil geochemical programs, enhanced ground penetrating radar and diamond core drilling. The 32km² of new concession areas were granted in September 2020 and later permitted for exploration in June 2021. These new areas will be an area of greater exploration focus in 2022.

Building on the current Mineral Resource Estimates of Rupice and Veovaca, the Company plans to continue concurrent exploration activities across its 42 km² of permitted Vares Project concession area. The Company is confident that the, predominantly greenfield, land package has significant exploration potential to add to the current 11 year Rupice life of mine. In addition, the wider region surrounding the Vares Project

also offers further resource potential. Therefore, where deemed sufficiently prospective, the Company will continue to expand its concessions area boundaries to surrounding, strategic land holdings.

Concurrent to the development of the Vares Project, the Company will continue exploration activities at the Zinc-Silver Raska Project in Serbia. This project originated from the acquisition of Tethyan Resource Corp, which completed in October 2020. To date, exploration activities has been focused around the targets of the Kizevak, Sastavci and Karadak Veins. However, exploration activities will commence in the Kaznovice concession following the granting of the licence in Q4 2021. Exploration activities include geophysical programs, LIDAR survey, soil geochemical programmes and diamond core drilling.

Further exploration programmes have been prepared and budgeted across both projects; these include, but are not limited to drilling and assaying, resource modelling, metallurgical testing and potential mine engineering studies as well as concession administration, general administration and geological services. The results of the exploration programs determine the economic viability and possible timing for the commencement of further work including engineering studies.

The development of both the Vares and Raska Projects, benefits from existing infrastructure, built during prior mining operations. This includes power, water, rail, sealed roads, accommodation facilities, service providers and international airports.

Since the Company's inception, it has been able to successfully meet all of its funding needs. Most recently, the company undertook a US\$102 million private placement financing in October 2021, with Canaccord Genuity, RBC Capital Markets and Stifel Nicholas acting as joint bookrunners. In addition, the Company signed a term sheet with Orion Resource Partners for a project finance facility of US\$142.5 million. Definitive documentation for the project finance facility was executed in January 2022. The combined US\$244.5 million funding package fully funds the Group through to production of the Vares Project, as well as continuing concurrent exploration activities.

OUTSTANDING PROJECT ECONOMICS

VARES PROJECT FEASIBILITY STUDY

Following the completion of the 2020 Pre-Feasibility Study (2020 PFS), an internal review was undertaken with Ausenco and the Company's team of Subject Matter Experts (SMEs), to determine options for further optimisation during the Feasibility Study. The Feasibility Study, which was completed in August 2021, determined the details of the Future Operations.

The principal considerations at the outset of the Feasibility Study were as follows;

- Optimise the mine plan to maintain consistent high-grade feed for as long as possible
- Take into consideration the prevailing market conditions
- Maximise revenue received from concentrate sales
- Optimise operational efficiency and reduce costs
- Reduce potentially adverse environmental, social, and economic impacts
- Minimise project execution risks

These considerations generated the following operational changes:

MODIFIED UNDERGROUND MINE PLAN

The Feasibility Study mine plan is focused on mining the high-grade sections of the Rupice deposit as early as possible and delivering consistent high-grade feed to the Vares Processing Plant for as long as possible. As a result, the mine plan was modified to accommodate new lower (ingress) and upper (egress) declines for optimised access, which also improves operational flexibility and safety.

The Ore Reserve tonnage of Rupice has decreased from 8.4 Mt to 7.3 Mt, while the Ore Reserve grade increased from 463g/t AgEq to 485g/t AgEq. This was due to the application of updated Net Smelter Return (NSR) cut-of Feasibility

Study by ore type determined during geo-metallurgical domaining and metallurgical test work. The average dilution factor increased from 10% to 13%, taking into account the potential spalling of backfill from adjacent primary stopes when mining secondary stopes.

An additional third decline will be built, replacing the previously considered raisebore, dedicated solely to ventilation. Use of a ventilation decline rather than the vent-raisebore removes the risks associated in the near-surface ground conditions and provides an improved emergency egress. The third decline can also provide additional access for ore-haulage later in the mine life by relocating the ventilation fans.

REMOVAL OF VEOVACA OPEN PIT FROM THE MINE PLAN

The Vares Processing Plant has been designed around the ore from the Rupice Underground Mine, as this is the highest value ore. Processing of ore from the Veovaca open pit, without modifying the process design, is anticipated to produce concentrates with marginal project economics. Further metallurgical test work and engineering will be undertaken to better understand how a higher value concentrate can be produced. Therefore, it was decided to defer the Veovaca open pit from the Feasibility Study mine plan until further work has been completed.

As the Feasibility Study does not include the mining of the Veovaca open pit, this reduces the tonnage of tailings that will require storage in the Tailing Storage Facility (TSF) by 1.91 Mt over life of mine. Additionally, mining the Veovaca open pit would have also required stripping waste rock to access the ore, which would also require a dump area with a capacity to store 8.64 Mt of waste rock. Total tailings and

waste from mining Veovaca would have been 10.6 Mt.

REMOVAL OF THE BARITE CONCENTRATE CIRCUIT

Market research conducted by an independent barite marketing expert concluded that, while the barite concentrate produced by the Vares Processing Plant had a suitable end-market, the current weak demand for and prices of barite and the high shipping rates negatively affected its contribution to the project. The price for barite is correlated with oil and gas exploration activity, due to its primary use as a drilling mud.

Not recovering the barite concentrate reduces the project execution risk by removing 200kt of concentrate movement in the first year of Commercial Production and in excess of 1.1Mt over first 5 years.

REMOVAL OF THE SULPHIDE (PYRITE) CONCENTRATE CIRCUIT

The sulphide (pyrite) concentrate was developed and introduced as a process to remove sulphide minerals from the barite concentrate to improve the quality of the barite. It followed the silver-lead and zinc flotation stages and preceded the barite flotation stage. The sulphide (pyrite) concentrate produced was found to contain reasonable quantities of gold and silver and the marketing team found potential buyers. Further validation of the detailed market during the Feasibility Study, resulted in a lack of confidence in the marketability of the sulphide (pyrite) concentrate. Therefore, the Company took the decision to remove the sulphide (pyrite) concentrate from the Feasibility Study taking into account that the barite was also not going to be included at this time.

OPTIMISED COMMINUTION DESIGN

The process flowsheet was optimised with the introduction of a three-stage crushing plant processing ore for the Vares Processing Plant, as well as waste rock for aggregates for the backfill plant. This eliminated the need for the Semi-autogenous Grinding ("SAG") Mill in the Vares Processing Plant saving US\$1.8 million and further reducing project execution risk.

This has contributed to a decrease in Initial Capital Costs of US\$4.8 million.

CUMULATIVE IMPACT

The cumulative impact of the principal design considerations used in the Feasibility Study are:

- To significantly de-risk project execution through simplifying the process flowsheet, with negligible impact on Project economics;
- To simplify Project logistics considerations by removing 1.1 Mt of barite handling costs in the first five years;
- The reduction of Initial Capital Costs by US\$4.8 million to US\$168.2 million, an improvement in NPV_g by US\$22 million to US\$1,062 million and IRR from 113% to 134%;
- The removal of 10.6 Mt in the tailings and waste rock associated with not mining the Veovaca open pit;
- Comparatively low Green House Gas ("GHG") emissions on a per unit of metal recovered, relative to industry peers.

HIGHLIGHTS OF PROJECT METRICS

Key Metrics Feasibility Study vs 2020 PFS

Key Metric	Unit	2021 FS	2020 PFS
Post-tax NPV (8%) ¹	US\$ million	1,062	1,040
Post-tax Internal Rate of Return ¹	%	134%	113%
Project Payback from First Production ¹	years	0.7	1.2
Initial Capital Costs	US\$ million	168.2	173.0
Total Mined Tonnes to Plant	Mt	7.3	11.1
Life of Operation	years	10	14
Cash Cost ^{1,2}	US\$/AgEq ounce	7.0	9.5
All-in Sustaining Cost (AISC) ^{1,3}	US\$/AgEq ounce	7.3	9.7
Average Annual AgEq Production Years 1-5	koz/year	14,975	15,302
Underground Mining Costs (mined)	US\$/t mined	24.1	27.6
Underground Mining Costs (milled)	US\$/t milled	30.0	31.9
Processing Costs	US\$/t milled	30.3	31.5
G&A Costs	US\$/t milled	7.7	4.8
Refining & Freight Costs	US\$/t milled	35.7	52.1
Revenue ¹	US\$/t milled	376.9	296.3
Average Annual EBITDA Years 1-5 ¹	US\$ million	281.1	251.0
Profitability Index ¹	(Post-Tax NPV _g /CAPEX)	6.3	6.0

1. Silver Price US\$25/oz, Zinc Price US\$3,000/t, Lead Price US\$2,300/t, Copper Price US\$9,500/t, Gold Price US\$1,800/oz, Antimony Price \$2,300/t.

2. Cash costs are inclusive of mining costs (US\$/t milled), processing costs, site G&A, refining & freight and concession fees (3.90 BAM per Mt of Run of Mine).

3. AISC are inclusive of cash costs plus sustaining capital, closure cost, salvage value.

VARES PROJECT FEASIBILITY STUDY - CONTINUED

FUTURE OPERATIONS

The Feasibility Study envisages future operations at the Vares Project once in production commences will include:

MINING	Ore Reserve	7.3 Mt at 485g/t AgEq
	Mining Rate	800,000 tonnes / year
	Life of Mine	10 years
	Mining Method	Transverse Longhole Open Stopping and Longitudinal Longhole Open Stopping
	Operations	Contractor Mining
	Head Grades (UG)	Ag 202g/t, Zn 5.7%, Pb 3.6%, Au 1.9g/t, Cu 0.6%, Sb 0.2%
INFRASTRUCTURE	Roads	24.5 km of haul road (which includes 9 km of existing road) will be constructed by the Vares Municipality with funding and oversight of construction provided by the Company
	Tailings Storage Facility	Dry stacked filtered tailings adjacent to the Vares Processing Plant
	Water	Existing reticulated supply to Vares Processing Plant, plus supply from a nearby stream that used to supply Vares town to Rupice Surface Infrastructure
	Power	Rupice Surface Infrastructure: 6.5 MW average load to be provided by JP Elektroprivreda BiH, plus a 1 MW emergency diesel generator. Vares Processing Plant: 10.0 MW average load to be provided by JP Elektroprivreda BiH
MARKETING & LOGISTICS	Logistics	Containerised rail transport from Vares to the Port of Ploče and sea freight to end user

CAPITAL AND OPERATING COST ESTIMATE

The capital and operating cost estimates were compiled by Ausenco with inputs from other engineering consultants and the Company. All estimates have been prepared using estimated quantities and quoted unit costs. The Initial Capital Costs and Life of Mine ("LOM") capital costs are summarised in the Tables 4 and 5 below.

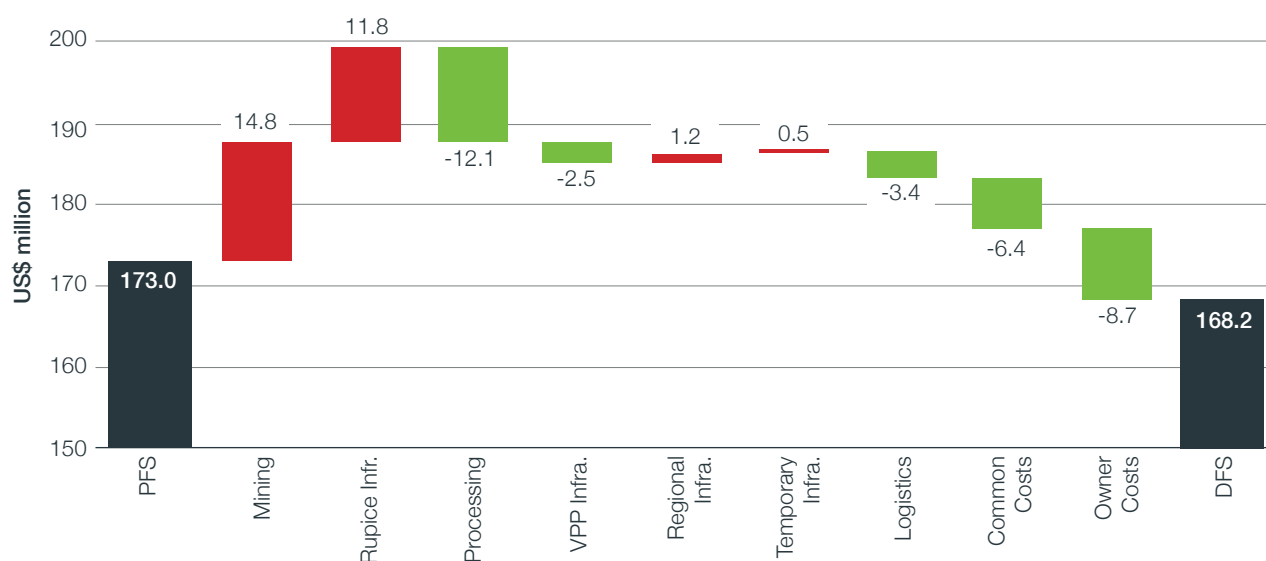
The underground mining costs increased due to the re-classification of operating costs to capital expenditure, reflecting an advancement in the timing of that expenditure.

In addition, the optimisation of the crushing plant and expanded footprint at the Rupice Surface Infrastructure, to accommodate larger stockpiles, resulted in an increase in the volume of earthworks in comparison to the 2020 PFS. These increases in capital expenditure are largely offset by savings from the exclusion of the barite and sulphide (pyrite) circuits in the Vares Processing Plant. Including the other items noted below, the net reduction in Initial Capital Cost is US\$4.8 million from the 2020 PFS estimate to US\$168.2 million.

Initial Capital Cost Estimate

Initial Capital Cost Estimate (US\$ Million)	2021 FS	2020 PFS	Change	% Change
Rupice Underground Mining	21.1	6.3	14.8	235%
Rupice Surface Site Infrastructure	35.8	24.0	11.8	49%
Minerals Processing	46.1	58.1	-12	-21%
Vares Processing Plant Site Infrastructure	6.4	8.9	-2.5	-28%
Regional Infrastructure and Utilities	5.7	4.5	1.2	26%
Temporary Infrastructure Construction	5.8	5.3	0.5	10%
Product Handling and Logistics	0.0	3.4	-3.4	-100%
Common Costs and Services	0.8	7.2	-6.4	-89%
Owners Costs	46.5	55.3	-8.8	-16%
Total	168.2	173.0	-4.8	-3%

Changes in Initial Capital Cost Estimate from 2020 PFS to Feasibility Study (US\$ million)



Summary of Changes in Initial Capital Costs

Mining

- The total increase in mining costs is the result of the reassignment of costs previously included as operating costs in the 2020 PFS, to Initial Capital Costs to reflect the early mining activities.

Rupice Infrastructure

- Upgrading the crushing plant to three-stage crushing, reallocated US\$1.8 million in costs from the Vares Processing Plant
- Additional earthworks (from 0.45M cubic metre to 1.8M cubic metre) required for the larger stockpile area and associated infrastructure, increased costs by US\$6.8 million
- More accurate pricing in haul road costs accounted for an increase of US\$2.7 million
- The addition of shotcrete batching and mixing to the backfill plant (US\$0.9 million) as well as heating added for water and aggregate, increased costs by US\$1.1 million.

Processing

- The upgrading of the crushing plant at Rupice Surface Infrastructure negated the need for a SAG mill at the Vares Processing Plant, saving US\$1.8 million
- The removal of the processing equipment associated with the barite and pyrite circuits saved US\$6.1 million, as well as associated building and concrete costs (US\$2.0 million).

Regional Infrastructure

- There was a saving of US\$4.5 million as the haul road was re-categorised to the main earthworks (Rupice Surface Infrastructure)
- Additional costs of US\$5.7 million for electrical connection costs, most of which is additional, as supply company now requires payment for new line, in addition to a connection fee.

Logistics

- The 2020 PFS assumed US\$3.4 million in improvement costs at the Port of Ploče, Croatia, which are not required.

Common Costs

- Significant savings in freight (US\$4.2 million) due to reduction in equipment used for barite and pyrite concentrate, as well as associated specialist consultants and vendor costs (US\$2.2 million).

Owners Costs

- Saving of US\$8.7 million in Engineering Procurement and Construction Management (EPCM) costs, Owner's costs and contingency and some re-assignment of capital costs to other cost categories

In addition to the changes in the Initial Capital Cost estimates as provided above, sustaining capital increased by US\$13 million due to the increased size of the stockpile terrace, backfill plant replacement pumps and additional pipe reticulation. Rehabilitation and closure costs reduced, reflecting savings arising from not mining Veovaca.

VARES PROJECT FEASIBILITY STUDY - CONTINUED

LOM Capital Cost Estimate

Lom Capital Cost Estimate (US\$ Million)	2021 FS	2020 PFS	% Change
Initial Capital Cost	168.2	173.0	-3%
Sustaining Capital	32.4	19.1	+70%
Rehabilitation and Closure	12.0	19.3	-38%
Salvage Value	(15.9)	(5.8)	-174%

LOM Average Operating Costs

Metric	Unit	2021 FS	2020 PFS
Mining Cost ¹	US\$/t mined	24.1	14.0
Underground Mining Cost (<i>mining</i>)	US\$/t mined	24.1	27.6
Open Pit Mining Cost (<i>mining</i>)	US\$/t mined	<i>n/a</i>	2.7
Mining Cost ¹	US\$/t milled	30.0	26.5
Underground Mining Cost (<i>milling</i>)	US\$/t milled	30.0	31.9
Open Pit Mining Cost (<i>milling</i>)	US\$/t milled	<i>n/a</i>	9.4
Processing Cost	US\$/t milled	30.3	31.5
G&A Cost	US\$/t milled	7.7	4.8
Operating Costs ²	US\$/t milled	68.0	62.8
Operating Costs ²	US\$/ AgEq oz	4.5	5.1
Refining & Freight Cost	US\$/t milled	35.7	52.1
Refining & Freight Cost	US\$/ AgEq oz	2.4	4.2
Cash Cost ³	US\$/ AgEq oz	7.0	9.5
All-in Sustaining Cost ⁴	US\$/AgEq oz	7.3	9.7

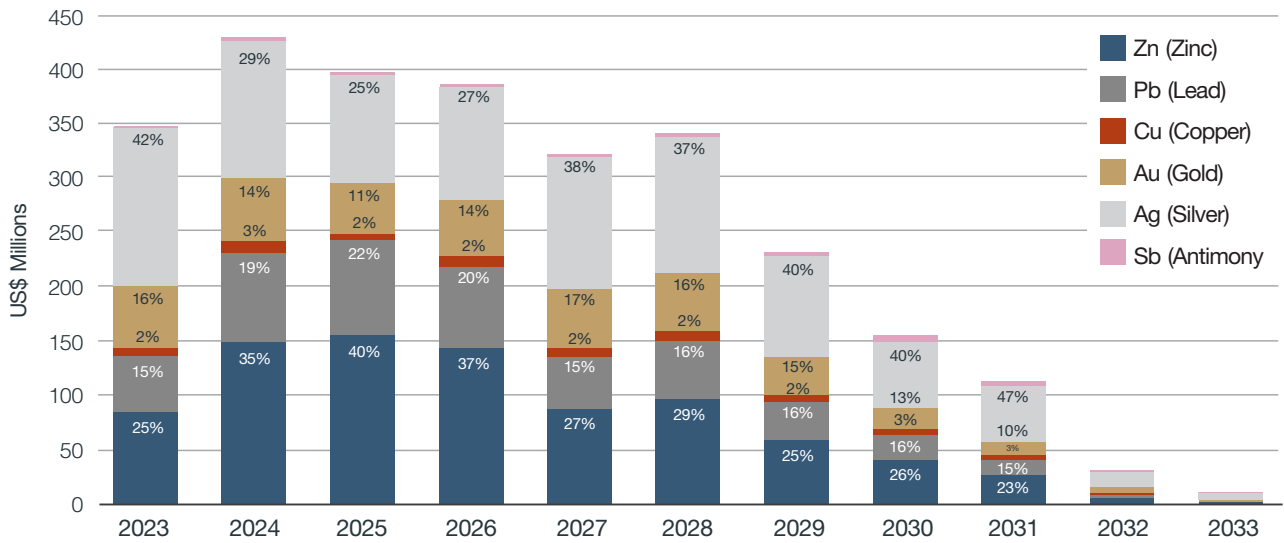
1. Blended mining cost – only relevant to the 2020 PFS as it included both open pit and underground mining
2. Operating costs are inclusive of (blended) mining costs (US\$/t milled), processing costs and site G&A
3. Cash costs are inclusive of operating costs, refining, freight and concession fees (3.90 BAM per mt of Run of Mine)
4. AISC are inclusive of cash costs plus sustaining capital, closure cost, salvage value

Financial Analysis

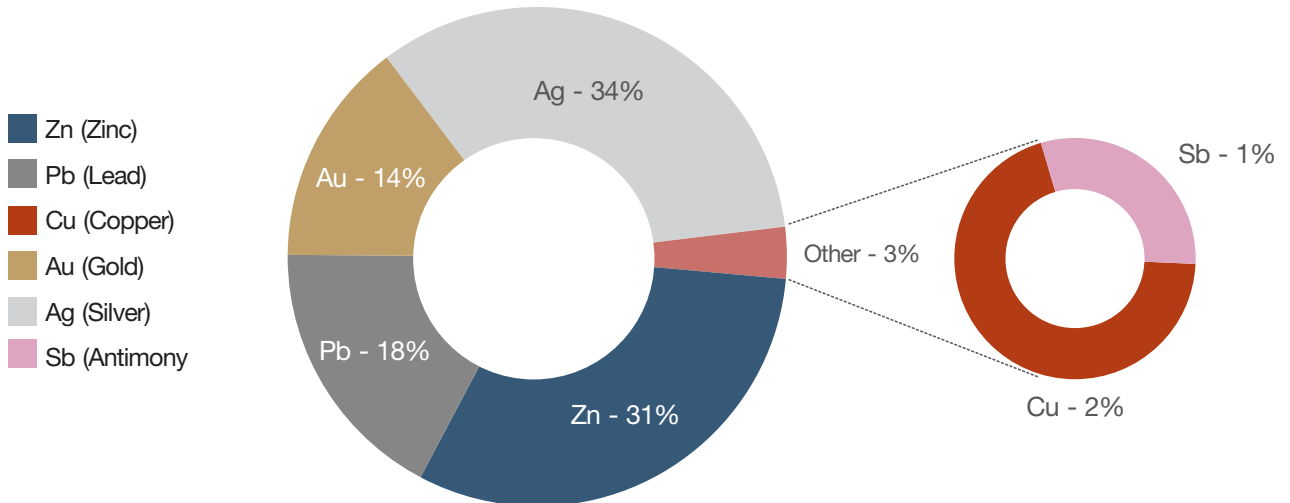
LOM annual average feed grade and tonnes processed by the Vares Processing Plant

		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Tonnes	kt	638	800	800	800	802	800	794	775	769	260	56
Feed Grade												
Silver	g/t	340	242	199	204	231	240	182	127	110	98	186
Zinc	%	6.6%	9.0%	9.5%	8.7%	5.4%	5.9%	3.7%	2.6%	1.8%	1.3%	1.4%
Lead	%	4.4%	5.4%	5.7%	5.0%	3.3%	3.7%	2.6%	1.9%	1.3%	1.0%	1.6%
Copper	%	0.7%	1.0%	1.1%	0.9%	0.6%	0.5%	0.4%	0.3%	0.3%	0.3%	0.4%
Gold	g/t	2.8	2.5	2.1	2.3	2.3	2.2	1.6	1.0	0.7	0.6	0.9
Barite	%	42%	35%	30%	34%	37%	37%	30%	23%	23%	26%	57%
Antimony	%	0.2%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%

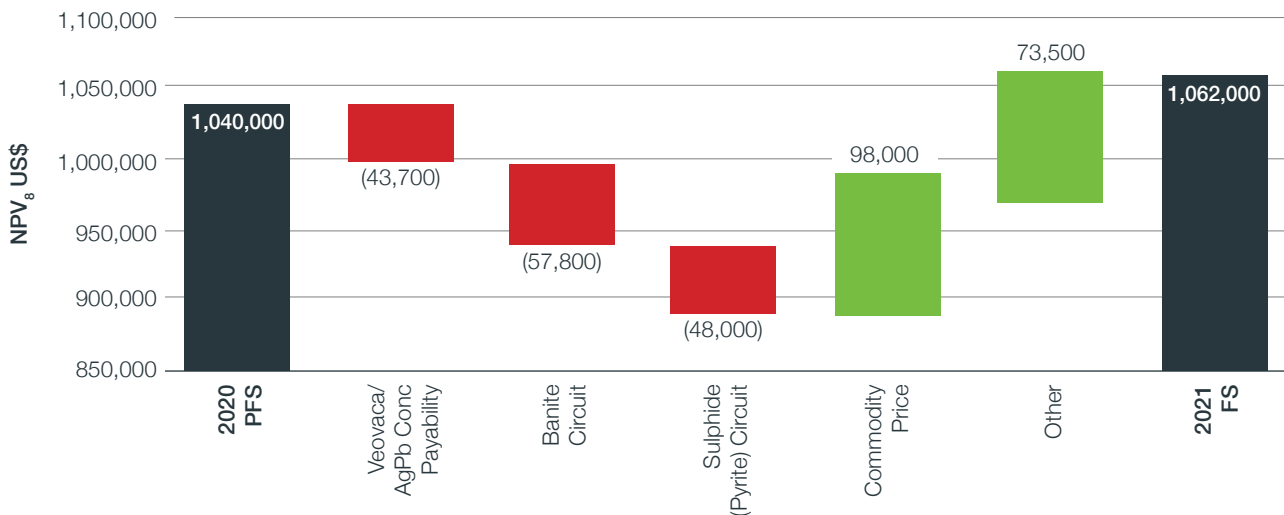
Revenue split by metal over LoM



LOM average revenue split by commodity



Waterfall of major changes to the NPV from the 2020 PFS



Note: Changes in the waterfall are subject to historical cost allocations that are not directly comparable to this study and should be used as a guide only.

VARES PROJECT FEASIBILITY STUDY - CONTINUED

Key financial assumptions

Metric	Unit	2021 FS	2020 PFS
Exchange Rate	BAM/US\$	1.60	1.75
Silver Price	US\$/oz	25	24
Zinc Price	US\$/tonne	3,000	2,500
Lead Price	US\$/tonne	2,300	2,000
Copper Price	US\$/tonne	9,500	6,500
Gold Price	US\$/oz	1,800	1,900
Antimony Price	US\$/tonne	2,300	6,500
Barite Price	US\$/tonne	n/a	150

		-\$10/oz Ag or -\$400/t Zn	-\$5/oz Ag or -\$200/t Zn	--	+\$5/oz Ag or +\$200/t Zn	+\$10/oz Ag or +\$400/t Zn
Silver Metal Price Change (US\$/oz)	NPV ₈	\$823	\$937	\$1,062	\$1,188	\$1,301
	IRR	109%	121%	134%	147%	159%
Zinc Metal Price Change (US\$/t)	NPV ₈	\$991	\$1,026	\$1,062	\$1,097	\$1,132
	IRR	128%	131%	134%	138%	141%

Mineral Resources

The JORC compliant Mineral Resource Estimate for the Vares Project is 19.4 Mt. The Rupice Mineral Resource Estimate was updated in August 2020 by CSA Global of Perth and comprised of 12.0 Mt Indicated and Inferred Resources at 149g/t Ag, 1.4g/t Au, 4.1% Zn and 2.6% Pb, as set out in below. This estimate remains unchanged for the Feasibility Study.

Rupice Mineral Resource Estimate by Classification

Rupice Mineral Resources, August 2020

Class.	(Mt)	Grades								Contained Metal							
		AgEq (g/t)	Ag (g/t)	Zn (%)	Pb (%)	Cu (%)	Au (g/t)	BaSO ₄ (%)	Sb (%)	AgEq (Moz)	Ag (Moz)	Zn (kt)	Pb (kt)	Cu (kt)	Au (koz)	BaSO ₄ (kt)	Sb (kt)
Ind.	9.5	450	176	4.9	3.1	0.5	1.6	29	0.2	137	54	465	294	52	500	2,730	21
Inf.	2.5	111	49	0.9	0.7	0.2	0.3	9	0.1	9	4	23	18	4	27	218	3
Total	12.0	387	149	4.1	2.6	0.5	1.4	25	0.2	149	58	488	312	56	526	2,948	24

Veovaca Mineral Resource Estimate by Classification

Veovaca Mineral Resources, July 2019

Class.	(Mt)	Grades							Contained Metal					
		AgEq (g/t)	Ag (g/t)	Zn (%)	Pb (%)	Au (g/t)	BaSO ₄ (%)	AgEq (Moz)	Ag (Moz)	Zn (kt)	Pb (kt)	Au (koz)	BaSO ₄ (kt)	
Ind.	5.3	225	50	1.6	1.0	0.1	16	38	9	83	55	14	860	
Inf.	2.1	116	17	1.1	0.5	0.1	6	8	1	23	11	4	123	
Total	7.4	193	41	1.4	0.9	0.1	13	46	10	106	66	18	984	

Combined Notes:

- Mineral Resources are based on JORC Code definitions
- It is the opinion of Adriatic Metals and the Competent Person that all elements and products included in the metal equivalent formula have a reasonable potential to be recovered and sold
- Rows and columns may not add up exactly due to rounding
- Ind. = Indicated
- Inf. = Inferred

Rupice Notes:

- A cut-off grade of 50g/t silver equivalent has been applied
- AgEq – Silver equivalent was calculated using conversion factors of 32.4 for Zn, 25.9 for Pb, 79.2 for Au, 1.9 for BaSO₄, 84.2 for Cu and 84.2 for Sb. Metal prices used were US\$2,500/t for Zn, US\$2,000/t for Pb, \$150/t for BaSO₄, \$2,000/oz for Au, \$24/oz for Ag, \$6,500/t for Sb and \$6,500 for Cu. ZnEq – zinc equivalent is calculated using $AgEq \times 1/31.1$

- Metal recoveries and payabilities from the PFS have been applied
- The applied formula was: $AgEq = Ag(g/t) \times 92\% \times 86\% + 32.4 \times Zn(\%) \times 97\% \times 71\% + 25.9 \times Pb(\%) \times 93\% \times 84\% + 1.9 \times BaSO_4(\%) \times 58\% \times 99\% + 79.2 \times Au(g/t) \times 70\% \times 76\% + 84.2 \times Sb(\%) \times 96\% \times 17\% + 84.2 \times Cu(\%) \times 97\% \times 82\%$
- A bulk density was calculated for each model cell using regression formula $BD = 2.745 + BaSO_4 \times 0.01793 + Pb \times 0.06728 - Zn \times 0.01317 + Cu \times 0.1105$ for the halo domain, $BD = 2.7341 + BaSO_4 \times 0.01823 + Pb \times 0.04801 + Zn \times 0.03941 - Cu \times 0.01051$ for the fault zones and $BD = 2.7949 + BaSO_4 \times 0.01599 + Pb \times 0.05419 + Zn \times 0.01169 + Cu \times 0.06303$ for the low-grade domain. Bulk density values were interpolated to the combined high-grade domain from 631 BD measurements

Veovaca Notes:

- A cut-off grade of 0.6% ZnEq has been applied
- Metallurgical recoveries of 90% have been applied in the metal equivalent formula based on recent and ongoing test work results
- ZnEq was calculated using conversion factors of 0.80 for lead, 0.08 for International Financial Reporting Standards, 1.80 for gold and 0.019 for silver, and recoveries of 90% for all elements. Metal prices used were US\$2,500/t for zinc, US\$2,000/t for lead, US\$200/t for BaSO₄, US\$1,400/oz for gold and US\$15/oz for silver. AgEq – silver equivalent is calculated using $ZnEq \times 1/51.84$
- The applied formula was: $ZnEq = Zn\% \times 90\% + 0.8 \times Pb\% \times 90\% + 0.08 \times BaSO_4\% \times 90\% + 1.8 \times Au(g/t) \times 90\% + 0.019 \times Ag(g/t) \times 90\%$
- A bulk density was calculated for each model cell using regression formula $BD = 2.70855 + BaSO_4 \times 0.01487 + Pb \times 0.03311 + Zn \times 0.03493$

Mining

Ore Reserves

The Ore Reserve Estimate was prepared by Mining Plus and comprises Probable Reserves as shown in table below:

Vares Project Ore Reserve Estimate

Vares Project Ore Reserve Estimate, August 2021

Deposit	JORC Class.	Ore Mt	AgEq g/t	Ag g/t	Zn %	Pb %	Au g/t	Cu %	Sb %
Rupice	Probable	7.3	485	202	5.7	3.6	1.9	0.6	0.23

Notes:

- Mineral Resources are based on JORC Code definitions
- It is the opinion of Adriatic Metals and the Competent Persons that all elements and products included in the metal equivalent formula have a reasonable potential to be recovered and sold
- Rows and columns may not add up exactly due to rounding
- FS metal prices, payabilities and recoveries have been applied
- AgEq – Silver equivalent was calculated using conversion factors of 37.31 for Zn, 28.6 for Pb, 72.0 for Au, 118.2 for Cu and 118.2 for Sb
- The applied formula was: $AgEq = Ag(g/t) \times 89\% \times 88\% + 37.3 \times Zn(\%) \times 91\% \times 75\% + 28.6 \times Pb(\%) \times 92\% \times 87\% + 72.0 \times Au(g/t) \times 64\% \times 77\% + 118.2 \times Sb(\%) \times 95\% \times 84\% + 118.2 \times Cu(\%) \times 94\% \times 16\%$
- ZnEq – zinc equivalent is calculated using $AgEq \times 1/31.1$

The Ore Reserves for the Vares Project deposits have been estimated in accordance with the JORC Code. The Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves. The JORC Code defines an Ore Reserve as: "An 'Ore Reserve' is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified." The Ore Reserve assumes a direct conversion between Indicated Mineral Resources and Probable Ore Reserves.

VARES PROJECT FEASIBILITY STUDY - CONTINUED

Mining Production Rate

The Rupice Underground Mine production rate is designed to match the nameplate capacity of the Vares Processing Plant at 800,000 tonnes per annum.

Stope development of the Rupice Underground Mine will start eight months prior to commissioning of the Vares Processing Plant. This will ensure sufficient ore is available in the surface stockpiles at the Rupice Surface Infrastructure for consistent and optimal grade of feed to the Vares Processing Plant during commissioning and ramp-up. This provides considerable versatility and reduced risk during commissioning and early operations. Starting commissioning on ore other than high grade is preferable and as operations ramp-up so it will be possible to increase the feed grade as confidence builds and plant operating stability is achieved. At the time of starting commissioning there will be approximately 210,000 tonnes of high-grade ore, 190,000 tonnes of medium-grade and 26,000 tonnes of low-grade ore – in total about six months at full production. During the mine life, sufficient ore is produced to maintain the Vares Processing Plant production

rate, with excess lower-grade ore being stockpiled for treatment later in the mine life. During the later stages of the mine life, the underground production rate drops off due to reduced stoping areas being available and the cyclic nature of the cut-and-fill mining methods.

Mining Method

Access to the underground workings will be via two declines developed from the surface accessing the orebody via further development of ramps, level access drives and footwall drives. All the development access will be suitable for trackless equipment.

The underground stoping will be divided into two main mining method zones as follows and as shown in the mine plan in the Rupice Underground Mine design:

- Transverse Longhole Open Stopping zone (“TLOS”)
- Longitudinal Longhole Open Stopping zone (“LLOS”)

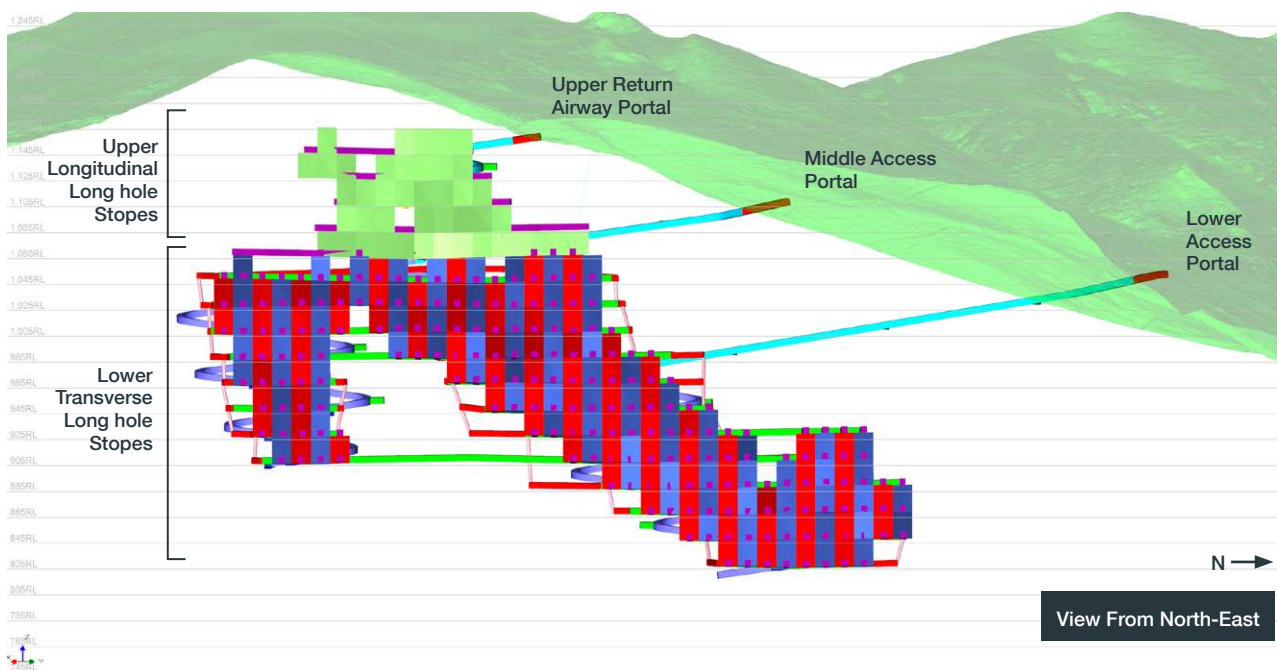
The TLOS zone will be below the 1,065m height above mean sea level (AMSL) and the LLOS zone will be from and above the 1,065m AMSL.

TLOS will be used in areas where the ore zone thickness is greater than 20 m. Stopes will be oriented in a transverse fashion with stope access drives orientated from the footwall towards the hanging wall, perpendicular to the general orebody strike.

LLOS will be used in areas where the ore zone thickness is less than 20 m. Stopes will be oriented in a longitudinal fashion along a strike drive.

Primary stopes represent the initial phase of production mining within the TLOS section of the mine. Primary stopes are mined in a “chequerboard” fashion on each level, with temporary pillars left between the primary stopes. The primary stopes are then backfilled with either Cemented Aggregate Fill or Paste Aggregate Fill, or a combination of both. Once the fill has cured, the temporary pillars between the primary stopes can then be mined out. These pillars are known as secondary stopes.

Rupice Underground Mine design (view from the northeast) showing the two mining method zones



The mining recovery for Rupice is 95% with an average underground dilution factor is 13%. NSR calculations were performed and incorporated in the block model and were the basis for determination of ore and waste classification.

Mine Design

The primary access to the underground workings will be via two separate access declines developed from surface. A third, primary main return airway decline has replaced the previously proposed return air raise-bore shaft.

Following the excavation of the box cuts and installation of appropriate portal support systems, the declines will be developed with dimensions of 5.5 m wide X 5.5 m high. The main return airway and middle access decline will be developed at a maximum gradient of 14 % (1 in 7) while the lower access decline will be developed at a maximum gradient of 16 % (1 in 6). The lower access decline will serve as the main ingress route into the mine while the middle decline will serve as the main egress, hence allowing for dedicated traffic in one direction with minimal disruption to the hauling operations. The additional benefit of the lower decline is that it enables rapid access to a high-grade zone of the orebody early in the mine life. The remaining ramps going up and down from the different underground access positions are all developed at the 1:7 inclination. All decline ramps have been positioned to minimise development required to access the initial high-grade stoping areas and to provide the shortest distances to the centre of mass of each of the major stoping areas.

The declines will be developed in a “figure of 8” geometry to allow for better visibility, aid driver fatigue associated with turning in only one direction, reduce vehicle wear and to gradually follow the higher-grade zones along the strike of the orebody.

Secondary development will consist of level access drives that are driven to connect the ramps with the footwall drives on each sub-level. The footwall drives are designed with a minimum stand-off of 25 m from the orebody and will have dimensions of 5.0 m wide X 5.5 m high.

The transverse stopes will be accessed along horizontal cross-cut drives leading from the footwall drive at dimensions of 5.0 m wide X 5.0 m high and developed at right angles to the strike of the deposit.

Once the crosscut ore-drive is in its final position (just through the hanging wall contact), a 10-hole (9-holes charged) blast slot will be developed using a long-hole production drilling rig to create a free face for subsequent ring blasting (1.5 metre spaced rings) by retreat extraction.

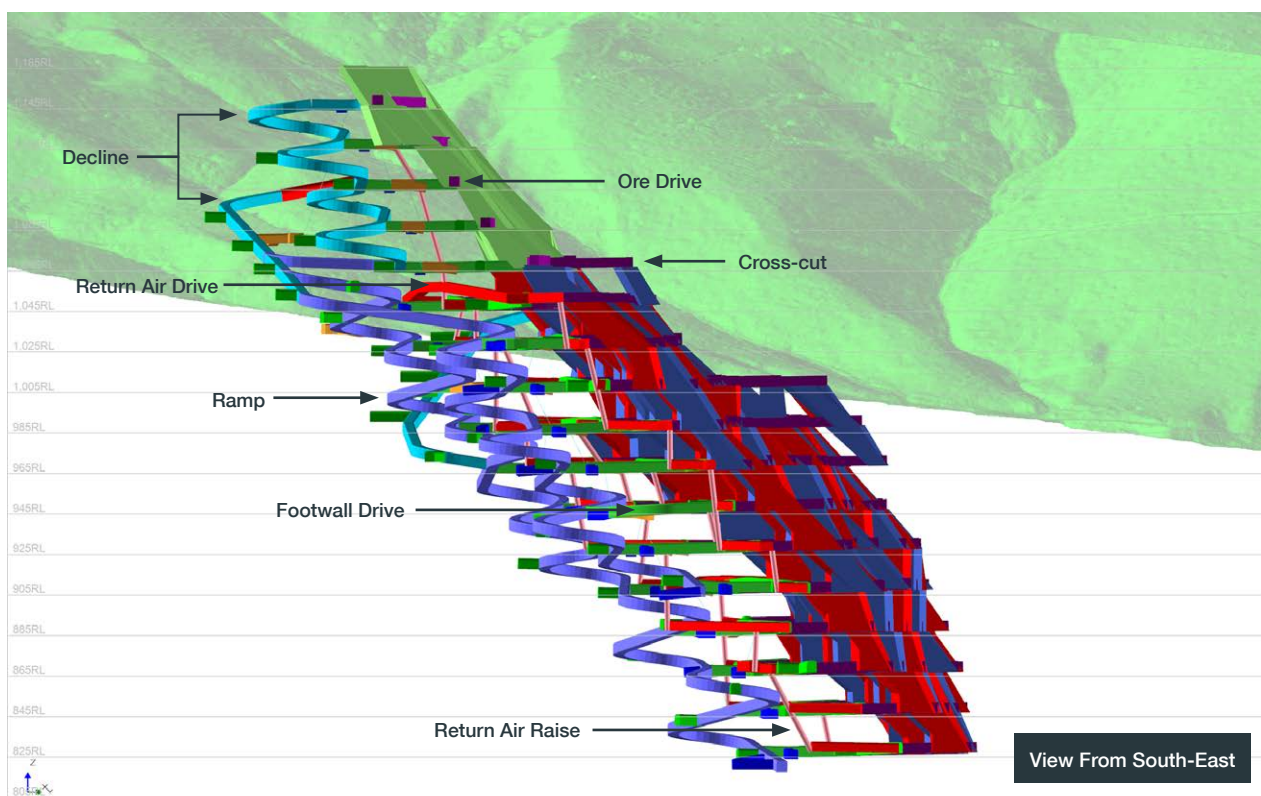
The longitudinal stopes will be accessed along a strike orientated ore drive, with dimensions of 5.0 m wide X 5.0 m high, which exits the sub-level access drive. There will be one ore drive per sub-level for the longitudinal stopes. The ore drive is developed along strike to the distal

end of the sub-level and then stoping occurs in a retreat direction along the ore drive. For the longitudinal and transverse stopes the loading of the blasted material by underground loader into underground haul trucks located at the intersection point of the crosscut and the footwall drive and then hauled via the internal ramp and decline to surface and tipped onto one of three Run of Mine (“ROM”) stockpiles depending upon the grade.

The ore will be recovered from the ROM stockpiles by front end loader, with a pre-planned recovery method to achieve the planned grade for feed to the processing plant. The front end loader will discharge into the primary crusher so that blending effectively takes place in the crushing plant. Recovery from more distant stockpiles will be by trucks. The crushed ore is deposited onto a stockpile before being reloaded onto on-highway trucks for haulage to the Vares Processing Plant.

Rupice Underground Mine design illustrates the planned declines, ramps, levels and stopes at Rupice. The mine design comprises largely of the access and ventilation portal areas (shown in red in diagram below), main declines (light blue), trackless ramps (light purple), sub-level access drive (green), and the sub-level footwall drives (green).

Rupice Underground Mine design (view from the southeast)



VARES PROJECT FEASIBILITY STUDY - CONTINUED

Scheduling rates for Rupice are based on the activities required and the estimated cycle times for each activity in the mining cycle. The general sequencing follows geotechnical considerations for primary and secondary stope extraction, a general mining direction of “bottom-up” and the delays associated with in-stope void filling.

This underground mine operating model assumes the following underground working calendar and shift arrangements:

365	working days per year
2	working shifts per day
11	underground hours of shift duration
10.5	hrs effective hours per shift

Equipment

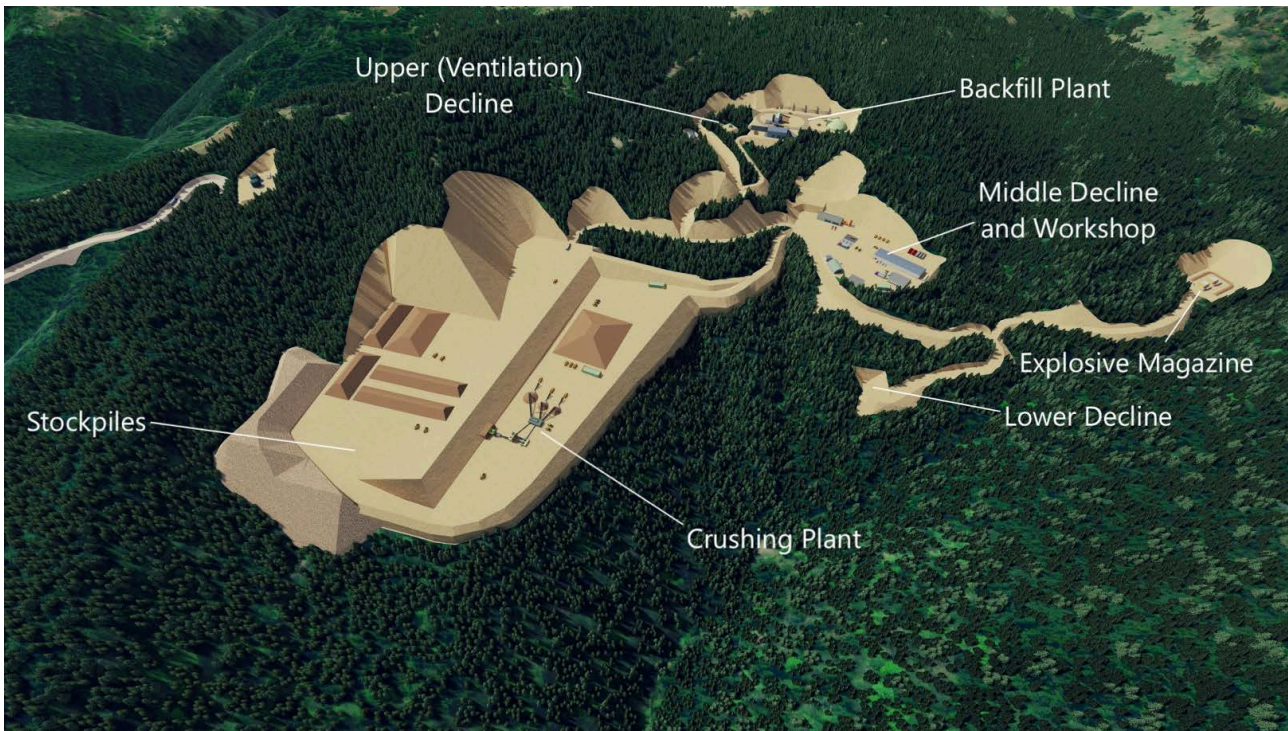
The loading of blasted feed material and waste as well as the backfilling of the stopes will be achieved using a single type of load haul dump unit (“LHD”) model and size in order to minimise the inventory of equipment spares. Mucking of waste development, drive development and stoping materials will utilise a 14-tonne class LHD. Backfilling of waste (when available) into the open stopes will utilise the same class 14-tonne LHD, but stope backfilling will mostly try to utilise the backfill plant and system.

Transport of ore and waste to surface will be achieved by 42-tonne class diesel haul trucks via the main transport drives, ramps and declines to surface.

The ancillary equipment fleet will consist of various utility vehicles for the transport of equipment, consumables and stores in and out of the underground mine. There will also be an underground motor grader, integrated tool handler and light vehicles.

Vares Processing Plant

The Vares Processing Plant is located on a brownfield site. The historic surface infrastructure has already been demolished, except for the administration building and the historical tailings thickener that will be repurposed for future use. Inspections have confirmed that the thickener is suitable to be re-used as the process water tank. The administration building has been in use as the Company’s offices since 2020. The new buildings can be constructed on the existing concrete pads remaining from the historical processing facilities.



Crushed Coarse Ore Handling

Crushed ore will be trucked 24.5 km from the Rupice Surface Infrastructure site to the Vares Processing Plant and end-dumped into a crushed ore hopper with a capacity of 37.5 t. The crushed ore will be fed by a belt feeder to a belt conveyor. The belt conveyor will transport the crushed ore to two coarse ore bins. Each bin provides a live residence time of 23 hours and a corresponding capacity of 2,260 tonnes of ore on a wet basis. Ore will be reclaimed from the bins by belt feeders and discharged to the ball mill feed conveyor.

The crushed ore bins provide surge capacity between the crushing system and the ball mill and will be independently filled and discharged. The throughput to the mill will be controlled by adjusting the speed of the crushed ore bin belt feeders based on the ball mill feed conveyor weightometer output and the mill control system set-point.

Grinding

The grinding circuit consists of a ball mill and cyclones. The grinding circuit will be designed to reduce ore from an 80% passing size of 7 mm to 40 μm .

The ball mill will be a single pinion overflow mill, operating in a closed circuit. The mill has an inside diameter of 4.3 m and an effective grinding length of 7.5 m. The ball mill discharge passes over a slotted trommel screen with an aperture size of 10 mm x 25 mm. The ball mill will be charged with high chrome grinding media, ranging in diameter from 25-40 mm utilising the grinding building hoist and ball kibble.

Operators will monitor the grinding mills discharge density, cyclone overflow and underflow densities, power draw, cyclone pressure, and other parameters to maintain a product size of 80% passing 40 μm .



Flotation

The flotation circuit at the Vares processing plant consists of silver-lead flotation and zinc flotation circuits.

Silver-Lead Flotation

The silver-lead flotation stage will recover a silver-lead concentrate. Copper mineralisation also reports to the silver-lead concentrate. The mill cyclone overflow reports to a trash screen to remove any oversize particles and then reports to a conditioning tank. Reagents are added to the ball mill and the conditioning tank. The slurry will flow by gravity to silver-lead rougher flotation at a nominal density of 40% w/w and pH 8.

Silver-Lead Rougher Flotation

The silver-lead rougher flotation cells are conventional forced air tank cells. The concentrate from the silver-lead rougher flotation cells will report to the silver-lead regrind surge tank, while the tailings report to the zinc flotation circuit.

Silver-Lead Regrind Circuit

The regrind circuit consists of a cyclone cluster and stirred horizontal regrind mill operating in open circuit. Slurry from the surge tank will be pumped to the cyclones to densify the feed to the regrind mill. The overflow will target an 80% passing product size of 10 μm . The cyclone overflow reports to the silver-lead cleaner circuit, while the underflow flows by gravity to the regrind mill. The regrind mill uses ceramic media with a 2-3 mm diameter and mill discharge also reports to the silver-lead cleaner circuit.

Silver-Lead Cleaner Flotation

The silver-lead cleaner circuit consists of three sequential stages of cleaning. The flotation concentrates flow from the first stage through to the third and concentrate from the third stage reports to the silver-lead concentrate thickener. The tailings flow counter-current to the concentrate, and first cleaner tailings report to the zinc cleaner flotation circuit.

Zinc Flotation

The zinc flotation circuit will recover a zinc concentrate. Tailings from the silver-lead flotation circuit report to two conditioning tanks and the conditioned slurry will be then pumped to the zinc rougher cells at a nominal density of 40% w/w and pH 9. The zinc flotation circuit follows the same arrangement as the silver-lead circuit, described as follows.

Zinc Rougher Flotation

The zinc rougher flotation cells are conventional forced air tank cells. The concentrate from the zinc rougher flotation cells report to the zinc regrind surge tank, while the tailings report to the zinc rougher scavenger cells. The scavenger concentrate also reports to the zinc regrind surge tank, while the tailings report to the final tailings thickener.

Zinc Regrind Circuit

The regrind circuit consists of a cyclone cluster and stirred horizontal regrind mill operating in open circuit. Slurry from the surge tank will be pumped to the cyclones to densify the feed to the regrind mill. The overflow will target an 80% passing product size of 20 μm . The cyclone overflow reports to the zinc cleaner circuit, while the underflow flows by gravity to the regrind mill. The regrind mill uses ceramic media with a 2-3 mm diameter and the mill discharge also reports to the zinc cleaner circuit.

Zinc Cleaner Flotation

The zinc cleaner circuit consists of three sequential stages of cleaning. The flotation concentrates flow from the first stage through to the third and concentrate from the third stage reports to the zinc concentrate thickener. The tailings flow counter-current to the concentrate, and tailings from the first stage reports to the final tailings thickener.

VARES PROJECT FEASIBILITY STUDY - CONTINUED

Concentrate Handling

The concentrate handling circuit consists of thickening and filtration equipment to dewater the silver-lead and zinc concentrates prior to loadout and shipment.

Each concentrate stream reports to a dedicated high-rate thickener, where flocculant will be added to assist in the settling of the solids. The thickener overflows report to the process water tank, while the underflows report to dedicated filter feed tanks which have a residence time of 12 hours.

Aerial view of the brownfield site for the Vares Processing Plant. Photo: Adriatic Metals July 2021



Process Description - Vares Processing Plant Isometric view of the Vares Processing Plant

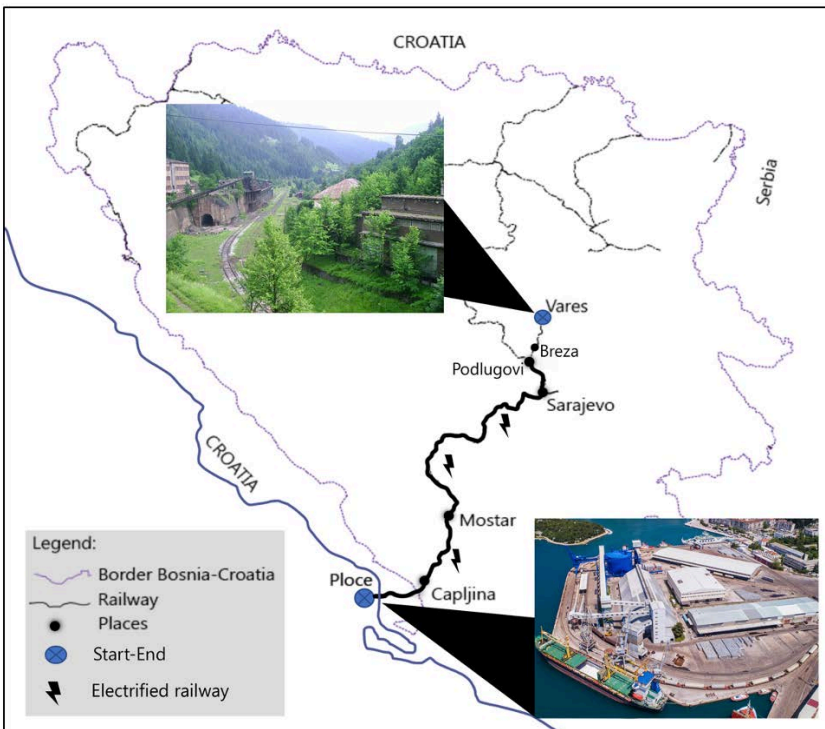
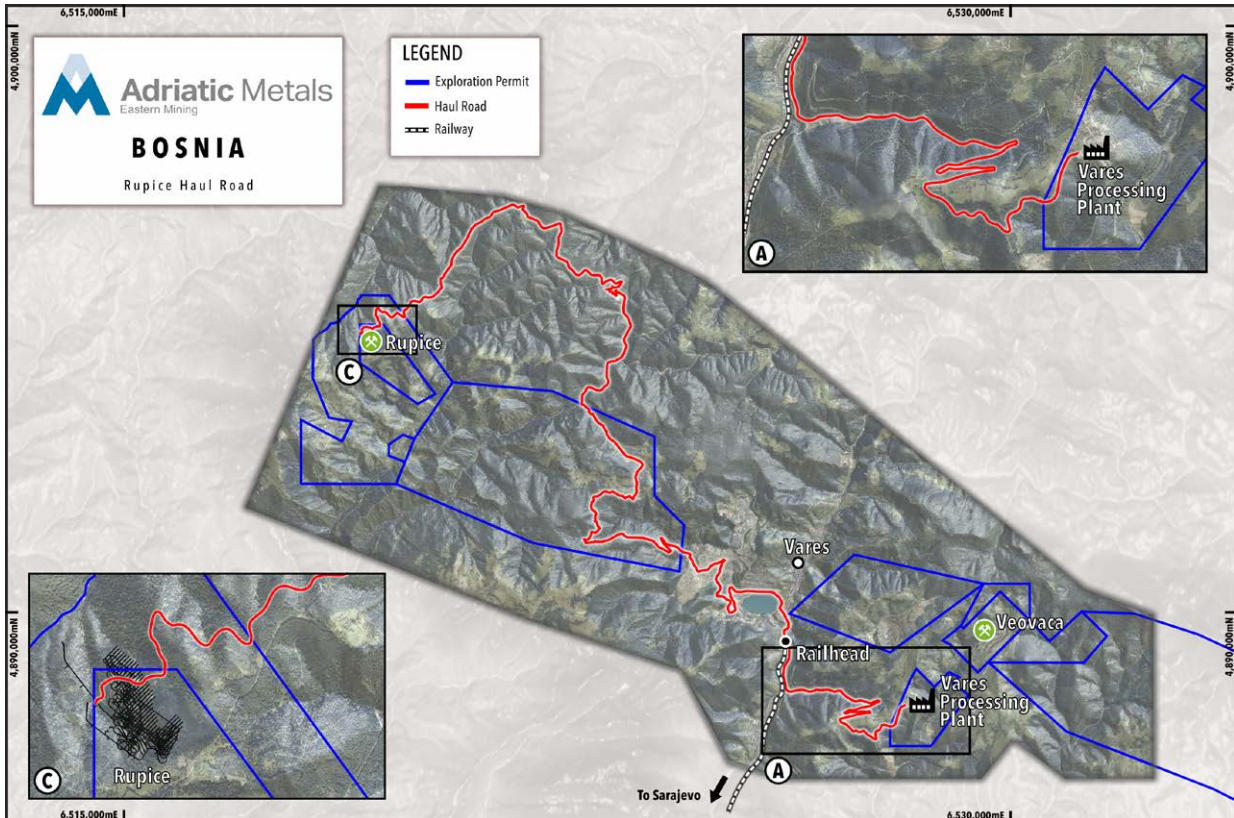


Haul-Road

A new haul-road of 24.5 km will be built for transporting crushed ore and dewatered tailings between the Rupice Surface Infrastructure and the Vares Processing Plant, as well as transporting full and empty concentrate containers between the Vares Processing Plant to the Vares Railhead. It is also planned that shipments of reagents, consumables, spare parts etc. will be delivered in containers to the railhead for onward movement to Rupice Mine and Vares Processing Plant using the haul-road.

The haul-road will consist of sealed and unsealed sections, which by-pass villages and dwellings as well as the town of Vares. The 24.5 km of haul-road will be made up of both newly constructed (15.5 km) and upgraded (9 km) sections. It will be permitted, constructed and owned by the Municipality of Vares, and the Company will provide funding and oversight of its construction and ongoing maintenance during life of mine.

Topography map showing the haul-road route between Rupice and Vares Processing Plant



Concentrate transportation

Map of the rail route from Vares to Ploče

VARES PROJECT FEASIBILITY STUDY - CONTINUED

Rail

The rail journey from the Vares Railhead to the Port of Ploče passes through three locations where locomotives will be changed according to the line requirements.

The first 25 km section of the line from Vares to Podlugovi uses diesel locomotives and was last used in 2012. This section of line requires upgrading in places. Railways FBiH have surveyed the route and consider this to be easily completed within a short timescale.

The remaining journey to the Port of Ploče will be on electrified lines, with regular other freight traffic until final exchange at the Bosnian/Croatian border to the port's own diesel engines. The complete journey from the Vares Railhead to the Port of Ploče will take approximately 10 hours.

Port

The Port of Ploče is located on the Croatian Adriatic coast, located near the mouth of the Neretva River. It has extensive railway sidings, dedicated road and rail access, modern security measures and provides full stevedoring services. It is a sheltered deep-water port, with depth of up to 17.8 m, allowing vessels as large as Capesize (100,000 dwt) to berth. The container terminal has a length of 280 m and depth of 14 m. The port operates 24/7, 362 days a year. All the main thoroughfares and terminals are floodlit. The port benefits from a large, well equipped, dedicated fire service.

Port of Ploče has been the recipient of recent funding from both EBRD and IFC. The funding provided an infrastructure upgrade, which included increasing the container terminal annual capacity to 60,000 TEU, with a new TEREX crane, Hyster reach stackers as well as other new plant and vehicles.

The port's container terminal is operating at just under 50% of capacity. In 2020, port container traffic was approximately 28,000 TEU. In recent years the peak traffic was 35,124 TEU in 2008. There is more than adequate capacity for the concentrates produced by the Vares Processing Plant. During the peak year, the Vares Project will require 7,520 TEU of capacity.

ADRIATIC FOUNDATION

In June 2021, the Company announced it had established the Adriatic Foundation, a Bosnian-registered charitable organisation.

OBJECTIVE OF THE FOUNDATION

The Foundation's objective is to support the communities around the Vares Project by investing in initiatives designed to create a positive long-term legacy, as well as alignment between the Company and the communities that the Foundation supports. The initiatives are specifically focused on improving education, healthcare, and environmental protection.



Education

The Foundation will support local youth education programs, with courses and activities to support further education, as well as developing the broader set of skills required for the job market and professional development.

Healthcare

The Foundation will promote the awareness of disease prevention and improve local primary healthcare.

Environment

The Foundation will improve awareness of the importance of conservation and environmental protection. It will do this by supporting initiatives focussed on the transition to technologies and renewable energy resources that reduce pollution, as well as support projects that address key environmental issues of common interest.



MANAGEMENT OF THE FOUNDATION

The Foundation is managed by a Board of Trustees, which includes 4 independent representatives from the local communities surrounding the Company's Vares Project. In due course, the Company's appointed President will step down to facilitate fully independent management of the Foundation. The Trustees will each have a tenure of 4 years. The Board of Trustees will meet quarterly to discuss and approve submitted proposals that meet the Foundation Objectives.

Position	Name	Rationale
President of the Board of Trustees	Vildana Mahmutovic	Adriatic Metals Environmental and Social Manager
Director	Sanela Karic	Adriatic Metals Independent Director
Trustee	Gordana Lukic	Resident of Vares - long term experience in NGO sector
Trustee	Mirela Masic	Resident of Kakanj – civil servant
Trustee	Nusret Muftic	Resident of Vares – police administrator
Trustee	Zlatko Jarmanovic	Resident of Vares – forestry worker
Secretary	Almedina Likic	Eastern Mining Info Centre Manager

FUNDING OF THE FOUNDATION

The Foundation's programme funding will be primarily received through grants. Adriatic Metals provided an initial donation of €100,000 to the Foundation, as well as an ongoing commitment of 0.25% of profits from its operations in Bosnia & Herzegovina. Sanela Karic, Non-Executive Director of Adriatic Metals, as referred to in Adriatic Metal's 2020 Annual Report, donated her Director's fees from March to June 2021, and Paul Cronin, CEO and MD of Adriatic Metals donated 250,000 of his personal shares in Adriatic Metals to the Foundation. The Foundation has already received contributions from other individuals, companies and institutions to co-fund programmes that support the Foundations Objectives.

Organisation/Individual	Amount	Remarks
Adriatic Metals	€100,000	Initial Funding
Adriatic Metals	0.25% Annual Profits	Annual from commencement of operations
Sanela Karic	£9,477	Director's fees March to June 2021
Orion Resources Partners	US\$100,000 per annum	An annual donation throughout the tenure of Orion Resource Partner's debt financing tenure
Tamesis Partners	US\$10,000	One Off Donation
Alisa Teletovic	€2,500	Proceeds from charity art auction
Gazibegovic Law Office	€500	For student scholarships
City Transport Vares	€500	For student scholarships
Trgosped Kakanj	€500	For student scholarships

FOUNDATION INVESTMENTS

The Foundation Trustees met twice in 2021 and reviewed five initial requests for funding. Funding approved to date includes the provision of 27 financial scholarships for students from Vares, Breza and Kakanj municipalities to assist with the costs of their high school education.

EMBEDDING OUR VALUES IN BOTH THE CORPORATE CULTURE AND PRACTICES

DIVERSITY

Adriatic is committed to workplace diversity, which includes but is not limited to gender, age, ethnicity and cultural background.

The Company's Diversity Policy defines initiatives that assist the Company in maintaining and improving the diversity of its workforce. The Board has also set formal diversity objectives which are included as KPIs in the Company's Short Term Incentive Plan (STIP). The Company achieved the following diversity in the workplace:

Proportion of women:	Year Ended 31 December 2021	Period Ended 31 December 2020
Vares Project	25%	30%
Executive Management Team	25%	Nil
Board	33.3%	33.3%

Proportion with a registered disability:	Year Ended 31 December 2021	Period Ended 31 December 2020
Organisation as a whole	0.8%	1.1%

SOCIAL & HUMAN RIGHTS

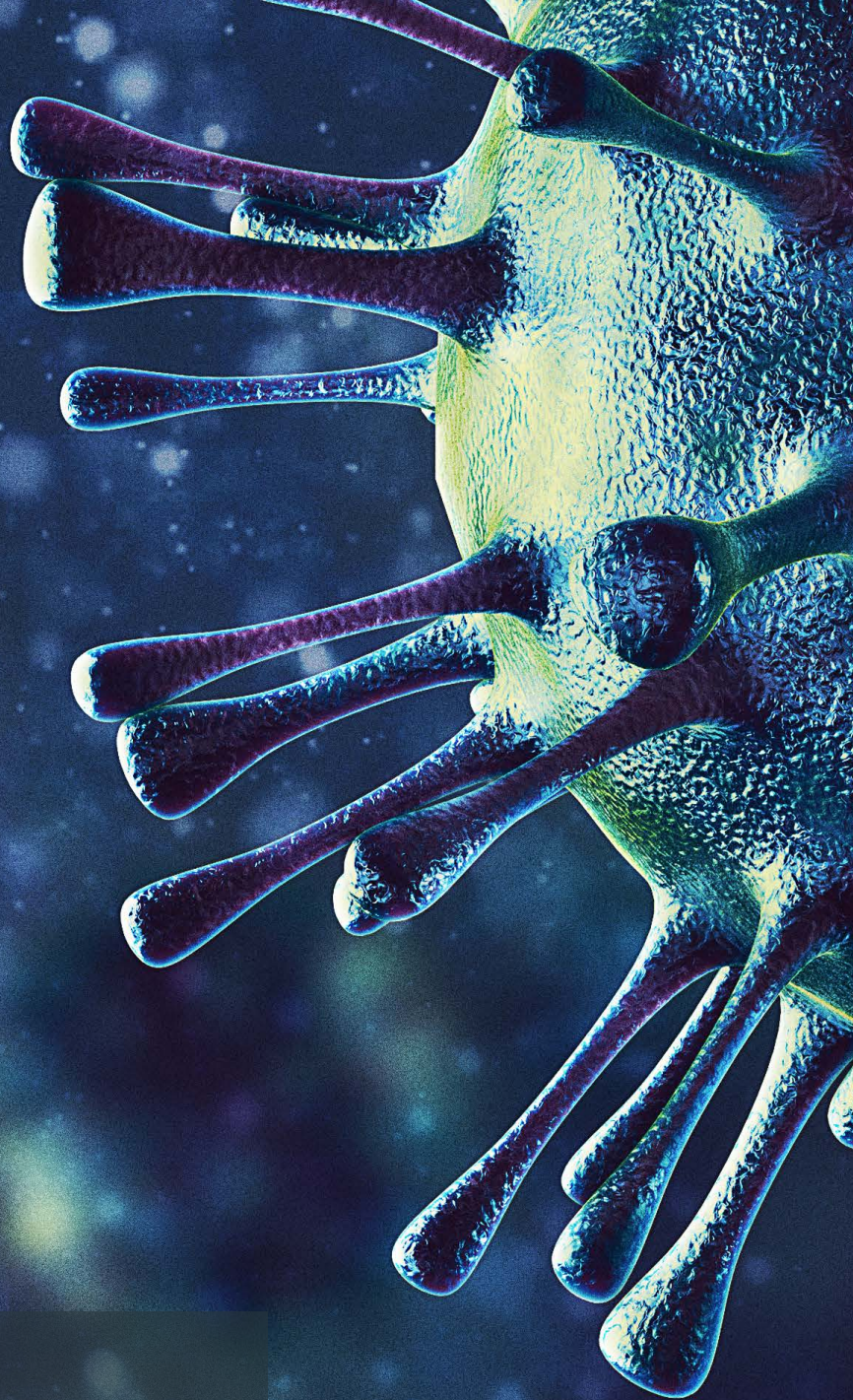


Following the establishment of the ESG committee in the prior period, the Company has adopted important policies requiring it to respect human rights and its core project stakeholders, which are the communities and environments that it operates in.

The Company is committed to supporting the Universal Declaration of Human Rights and the United Nations' Guiding Principles on Business and Human Rights and to recognise and support the International Labour Organization's core labour standards. At project level, the Company continues to adopt best international practice, as well as maintaining national compliance.

As the Vares project commences construction and the start of its procurement program, these rights are at the core of policy development. Through responsible sourcing initiatives, or requiring suppliers to adopt similar standards as the Company (allocating resources to help smaller, local suppliers to achieve these where necessary), the commitment to "do the right thing" is robust and permeates from the Board down to its most junior members of staff.

The Company is committed to embedding these values in both its corporate culture and practices and as it ramps up with the recruitment of the workforce for the construction phase of Vares Project and that of an operating mine.



COVID-19 IMPACT

The COVID-19 pandemic continues to impact both the Company and its host communities. However, with ever increasing experience and enhanced protection measures operations have continued throughout 2021 with minimal disruption. The Balkan states have followed a similar trajectory of infection, hospitalisation and death rates to that of wider Europe, albeit with a one-to-two-month lag. At year end, the latest variant Omicron had just started to increase infection rates within the region.

The Company has maintained robust and rigorous COVID-19 prevention measures throughout the year and although there are ongoing restrictions to international travel, our operations are in general returning to pre-COVID levels.

Through the community engagement conducted during the ESIA, the Company's staff were able to continue providing advice and support to the near-mine communities. Stakeholder engagement since the start of the pandemic has been guided by the advice issued by EBRD.

ROBUST RISK MANAGEMENT AND CONTROLS

PRINCIPAL RISKS AND UNCERTAINTIES

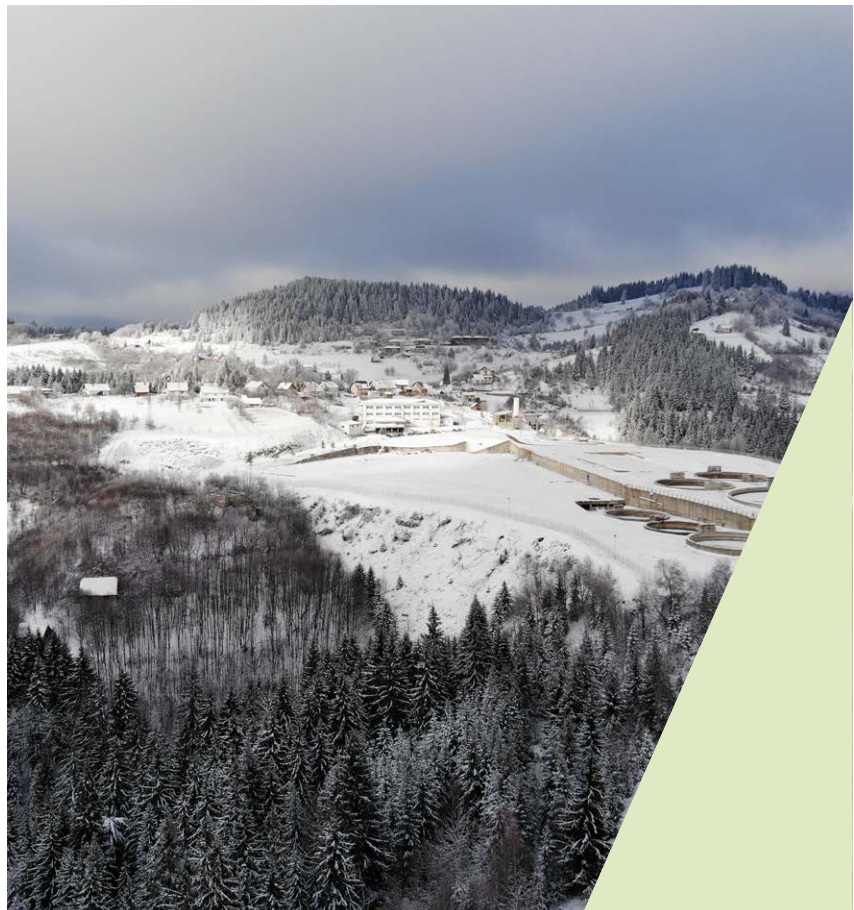
The Board is responsible for putting in place a system to manage risk and implement internal controls.

The Board has considered mechanisms by which the business and financial risks facing the Group are managed and reported to the Board. The principal business and financial risks have been identified and control procedures implemented. The Board acknowledges it has the responsibility for reviewing the effectiveness of the systems that are in place to manage risk.

The Board has delegated certain authorities of risk management to the Audit & Risk Committee, which has its own formal terms of reference. The Audit & Risk Committee meets at least twice a year to consider presentations by the Auditors and drafts of the Annual and Interim Financial Statements, and to assess the effectiveness of the Group's system of internal controls. The Audit & Risk Committee is chaired by Sandra Bates who has recent and relevant financial and business experience. All of the members of the Committee are Non-Executive.

The Audit & Risk Committee is responsible, inter alia, for:

- Reviewing the Company's risk management framework at least annually in order to satisfy itself that the framework continues to be sound and to determine whether there have been any changes in the material business risks the Company faces
- Ensuring that the material business risks do not exceed the risk appetite determined by the Board; and
- Overseeing the Company's risk management systems, practices and procedures to ensure effective risk identification and management, and compliance with internal guidelines and external requirements.



a) Financial controls

The Company has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the Senior Management Team, the Audit & Risk Committee and the Board in light of an ongoing assessment of significant risks facing the Company.

The Board is responsible for reviewing and approving overall Company strategy, budgets and plans. Monthly results and variances from plans and forecasts are reported to the Board.

The Audit & Risk Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, and operational and financial controls.

There are procedures for budgeting and planning, for monitoring and reporting to the Board business performance against those budgets and plans, and for forecasting expected performance over the remainder of the financial period. These cover cash flows, capital expenditures and balance sheets.

In December 2021, Ausenco Pty Ltd was appointed as the engineering and procurement contractor for the Project. Ausenco was first engaged by the Company in Q4 2019 as the engineering consultant for the delivery of the 2020 FS. They were subsequently retained for the FS 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.

The Audit & Risk Committee reviews the adequacy of accounting and financial controls together with the implementation of any associated recommendations of the external Auditor.

b) Internal controls

The Board is responsible for ensuring that a sound system of internal control exists in order to safeguard shareholders' interests and the Company's assets. In conjunction with the Audit & Risk Committee it is responsible for the regular review of the effectiveness of the systems of internal control. Internal controls are necessarily designed to manage risk rather than eliminate it. The key features of the system that operated during the period are:

- Regular Board meetings to consider the schedule of matters reserved for Directors' consideration;
- A risk management process;
- An established organisation with clearly defined lines of responsibility and delegation of authority;
- Appointment of staff of the necessary calibre to fulfil their allotted responsibilities;
- Comprehensive budgets, forecasts and business plans, approved by the Board, and reviewed on a regular basis, with performance monitored against them and explanations obtained for material variances;
- An Audit & Risk Committee of the Board considers significant financial control matters as appropriate;
- Documented whistle-blowing policies and procedures.

c) Risk management policy

The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

The Board has delegated to the Audit & Risk Committee responsibility for implementing the risk management system.

The Audit & Risk Committee submits particular matters to the Board for its approval or review.

Among other things the Audit & Risk Committee is responsible for:

- Overseeing the Company's risk management systems, practices and procedures to ensure effective risk identification and management, and compliance with internal guidelines and external requirements;
- Assisting management to determine whether the Company has any material exposure to economic, environmental and/or social sustainability risks and, if it does, how it manages, or intends to manage, those risks;
- Assisting management to determine the key risks to the business, and prioritising work to manage those risks; and
- Reviewing reports from management on the efficiency and effectiveness of risk management and associated internal compliance and control procedures.

The Company's process of risk management and internal compliance and control includes:

- Identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- Formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls; and
- Monitoring the performance and improving the effectiveness of risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

PRINCIPAL RISKS AND UNCERTAINTIES - CONTINUED

To this end, comprehensive practices are in place that are directed towards achieving the following objectives:

- Compliance with applicable laws and regulations;
- Preparation of reliable published financial information; and
- Implementation of risk transfer strategies where appropriate (e.g. insurance).

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required to assess risk management and associated internal compliance and control procedures and report back to the Audit & Risk Committee at least annually. The Board reviews assessments of the effectiveness of risk management and internal compliance and control at least annually.

d) Principal Risks

The following risks are those that the Group considers could have the most serious adverse effect on its performance and reputation.

The Company has yet to commence production and is exposed to development risk

While the Company's strategy is to commence Commercial Production of the Vares Project in H1 2023, the Company currently has no producing assets. Therefore, it does not currently generate positive cash flow and has incurred losses since inception.

The Vares Project is anticipated to be the Company's sole source of near-term earnings and positive cash flow. The Company's ultimate success will depend on its ability to commence development of the Vares Silver Project, reach Commercial Production and generate positive cash flow from operations.

It is not uncommon for new mining developments to experience unexpected problems, increased costs and delays during construction, commissioning and production start-up, or indeed for such projects to fail. Any adverse event affecting the Vares Project, either during its development or following the commencement of production, would have a material adverse effect on the Company's business, results of operations, financial condition and the price of its Ordinary Shares.

A further factor potentially affecting the Company's development the continuing supply chain fragility and increased shipping rates/delays as a result of the ongoing COVID-19 pandemic. The Company is monitoring the unfolding geo-political tensions between Europe and Russia and the associated energy crisis that is impacting diesel costs (required during development and production) and electricity pricing (an inflationary risk most applicable to the operations of the Vares Processing Site and Rupice Surface Infrastructure (including crushing).

Development and operations of the Vares Project

The Company's future success will largely depend upon the Company's ability to develop and manage the Vares Project in accordance with the plans set out in the Feasibility Study. The Feasibility Study is a conceptual study based on certain technical and economic assessments. As such, it is insufficient to provide certainty that the conclusions of the Feasibility Study will be realised or that any conceptual, projected or indicative net present value or internal rate of return is assured or certainty as to the estimation of ore reserves. The Company continues to work with internationally recognised technical consultants to deliver on this plan and mitigates these risks where possible through the use of industry best practice and the recruitment of capable, experienced staff and contractors.

The development and operations of the Company's projects could be delayed, experience interruptions, incur increased costs or be unable to complete due to a number of factors. In the event that any of these potential risks eventuate, the Company's operational and financial performance may be adversely affected. This includes, but is not limited to:

- unforeseen escalation in anticipated costs of development, or delays to construction, or adverse currency movements resulting in insufficient funds being available to complete planned development;
- unexpected geological anomalies or other geological characteristics that require plans or projections for the Vares Project to be amended;
- shortages or delays in obtaining critical mining and processing equipment, or the breakdown or failure of such equipment;

- operational and technical difficulties encountered during mining;
- insufficient or unreliable infrastructure, such as power, water and transportation;
- difficulties in commissioning and / or operating the plant and equipment;
- mechanical failure or plant breakdown;
- shortage of transportation and interruptions in transportation services;
- increases in extraction, processing or transportation costs;
- unanticipated metallurgical problems which may affect extraction costs;
- construction, procurement and/ or performance of the Vares Processing Plant and ancillary operations falling below expected levels of output or efficiency;
- changes in the regulatory environment including environmental compliance requirements;
- inability to comply with the conditions attached to the various permissions, permits and licences;
- non-performance by third party consultants and contractors;
- inability to attract and retain a sufficient number of qualified workers;
- hazards associated with the use of heavy machinery;
- catastrophic events such as fires, adverse weather, explosions, flooding, seismic activity, underground integrity issues, discharges of gas in the air or lubricants and fuel oil into watercourses
- potential opposition from environmental groups, local residents or others;
- civil unrest in and/ or around the mine site, processing plant and supply routes;
- changes to anticipated levels of taxes and royalties; and/ or
- a material and prolonged deterioration in the prices of the commodities to be produced by the Vares Project.

It is not uncommon for new mining projects to experience these factors during their construction, commissioning and production ramp-up, or indeed for such projects to fail as a result of one or more of these factors occurring to a material extent. There can be no assurance that the

Company will complete the various stages of development necessary in order to achieve its strategy in the timeframe currently anticipated by the Company, or at all. Any of these factors may have a material adverse effect on the Company's business, results of operations and activities, financial condition and prospects.

Reliance on infrastructure

The Company's planned activities depend on adequate infrastructure, including reliable roads, rail and port facilities, as well as power sources and water supplies. It is not uncommon for new mining infrastructure to experience unexpected costs, problems and delays during construction, often resulting in significant upward revisions to expected costs and/or delays.

The planned transportation of concentrates from the Vares Processing Plant is reliant on infrastructure and equipment to be supplied by the Bosnian State rail operator and the port authorities in Croatia. There may be matters beyond the Company's control related to the availability, reliability and capacity of rail and port facilities and related equipment for the movement and storage of concentrates from the Vares Railhead to the port, including unusual weather or other natural phenomena, capacity and allocation constraints, key equipment failure, collapse of railway tunnels or bridges, derailment, accidents, sabotage, industrial action or other interference in the maintenance or provision of such infrastructure. Any impact to the availability, reliability and/or performance of the rail and port networks could have a material adverse effect on the Group's ability to deliver to the port and to export its concentrates, which is likely to have a significant negative impact on the Group's revenues and financial condition.

The processing of ore at the Vares Processing Plant requires the supply of power from the Bosnian State energy provider. Any power outage, disruption or shortage in power supply available to the Group's operations could therefore have a material adverse impact on the Group's production and employee safety. Whilst back-up power can be provided on site by mobile diesel generators, operating such generators would increase the Group's overall operating costs and its exposure to fuel prices.

The processing of ore at the Vares Processing Plant, also requires a supply of the water, some of which will

be provided from a third-party local supplier. Any restriction or disruption in the water supply could adversely affect the Group's processing activities and whilst a secondary source of water may be available from a river source at both the Vares Processing Plant and the Rupice Surface Infrastructure, accessing and utilising the river source may result in increased operating costs and downtime in the processing of ore.

A haulage road will be constructed for the haulage of Run of Mine 'ROM' ore from the Rupice Underground Mine, located within the Rupice Surface Infrastructure, to the Vares Processing Plant, as well as transport of tailings back to Rupice Surface Infrastructure and concentrates from the Vares Processing Plant to the Vares Railhead. The haulage road will be constructed by the Vares municipality and paid for by the Company. The Company will also pay for the maintenance of the haulage road with the maintenance being carried out by the municipality. There may be matters outside of the Company's control related to its maintenance, especially during seasonal changes and adverse weather, which may affect the ability of the Company to access the Rupice Surface Infrastructure and the Vares Processing Plant at certain times. This in turn is likely to have an adverse effect on the Company's overall cost of operations and its financial condition.

Any other failure or unavailability of the infrastructure on which the Company's planned operations rely (for example, through non-delivery of equipment, spare parts unavailability, failure or service disruption) could adversely affect the Company's development of the Vares Project or revenue generated in the future from mining activities.

If the Company's operating costs increase due to inadequate or unreliable infrastructure the Company's business, results of operations and financial condition and the price of the Ordinary Shares could be materially adversely affected.

Reliance on third-party contractors

The Company will need to enter into agreements with various third party service providers for the construction and operation of the Vares Project. Such as; the Bosnian State rail operator, key mining contractors and equipment suppliers, the Bosnian state electricity provider and the port operator. There can be no assurance that the Company will be able to secure the provision of all the required services

and supply of equipment;

- in a timely manner
- on commercially acceptable terms (including as to cost)
- or at all

Further, all contracts carry risks associated with the performance by the parties thereto of their obligations as to time and quality of work performed and the Company's business and development plans may be adversely affected by:

- a failure to secure or any failure or delay by third parties in supplying the relevant services and/or equipment
- by any change to the terms on which these services are made available or by the lack of availability of key personnel or equipment
- or the failure of such third-party contractors to provide services that meet the Company's quality or volume requirements.

Although the Company will seek to retain contractors it regards as reputable and competent for the scope of work required and will seek to reduce its risk by negotiating contracts that apportion risk and liability appropriately, the risk that those contractors may breach their contracts with the Company or that contractors may be negligent or otherwise deficient in performing the services for which they were contracted cannot be excluded. It is not uncommon for mining companies to have disputes with third party contractors, and for these disputes to have a material and adverse effect on the companies' operations and/or financial performance.

Exploration

There can be no assurance that continued exploration on the Vares Project, or any other exploration properties that may be acquired in the future, will result in the discovery of an economic mineral resource. Even if an apparently viable mineral resource is identified, there is no guarantee that it can be economically exploited.

The Company is mitigating these risks with the significant progress made during the year with infill drilling, which has increased confidence in the mineral resource estimate, technical studies and permitting for the Vares Project which serve to de-risk the project and its commercial viability.

The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities

PRINCIPAL RISKS AND UNCERTAINTIES - CONTINUED

due to seasonal weather patterns, unanticipated operational and technical difficulties, insufficient or unreliable infrastructure (such as power, water and transport), unanticipated metallurgical problems which may affect extraction costs, industrial and environmental accidents, changing government regulations and many other factors beyond the control of the Company.

Mineral Resource and Ore Reserve estimates

Resource and reserve estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when initially calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource and reserve estimates are imprecise and depend to some extent on interpretation which may prove to be inaccurate.

The Company follows industry standard Quality Assurance and Quality Control ("QA/QC") practices and has engaged CSA Global and Mining Plus, both internationally recognised geological consultancy companies, to undertake resource estimates and reduce the inherent risks associated with resource and reserves estimation.

Grant of future authorisations to explore and mine

If the Company acquires further exploration properties or discovers additional economically viable mineral deposits that it then intends to develop, it will, among other things, require various approvals, licences and permits before it will be able to undertake exploration or mine the deposit. There is no guarantee that the Company will be able to obtain all required approvals, licences and permits relating to its exploration and subsequent development and exploitation activities. To the extent that required authorisations are not obtained or are delayed, the Company's operational and financial performance may be materially adversely affected.

Environmental risks

The Company's activities are subject to the environmental laws inherent in the mining industry and those specific to Bosnia & Herzegovina and Serbia. The Company intends to conduct its activities in an environmentally responsible manner and in compliance with all applicable laws, as well as the requirements set out in the Company's Project Support Agreement with the European Bank for Reconstruction and Development. However, there can be no assurance that the systems and procedures implemented by the Company will be adequate to manage the environmental impact of its activities, and the Company may be the subject of environmental accidents or unforeseen circumstances that could subject it to extensive liability.

In addition, environmental approvals are required from relevant government and regulatory authorities before activities may be undertaken which are likely to impact the environment. Failure or delay in obtaining such approvals will prevent the Company from undertaking its planned activities. Further, the Company is unable to predict the impact of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

Climate Change Risks

The Company has considered the resilience of its strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. Although overall precipitation rates are expected to decrease, higher intensity events may occur and increased temperatures in winter mean that snowfall melts more quickly than was previously the case and this, in turn, could increase the risk of flooding. The design of both Rupice and Vares Processing Plant allows for accommodating drainage and storage from intense stormwater events. However, the haul road may be at increased risk of surface damage, wash outs and landslides. Climate change risks and mitigations have been considered in the TCFD Climate Disclosure within the Directors report.

Health and safety

The Company's safety record can impact the Company's reputation. Mines and mining construction sites are inherently dangerous workplaces and the Company's employees and contractors may come into close proximity with large pieces of mechanised equipment, moving vehicles, regulated materials and other hazardous conditions associated with construction and underground mining (for example relating to flooding, seismic activity, shaft and tunnel integrity issues).

As a result, the Group is subject to a variety of health and safety laws and regulations dealing with occupational health and safety. The Company intends to conduct its activities in compliance with all applicable laws and internationally recognised mining safety standards with the objective of zero harm operations. However, there can be no assurances that these standards and any measures taken by the Company will be successful in preventing accidents and injuries or violations of health and safety laws and regulations, some of which may be beyond the Company's control.

Any failure to maintain safe work sites or any serious health and safety incident could expose the Company to significant financial losses as well as civil and criminal liabilities or loss of rights to operate, any of which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company took steps during the past year to establish and maintain a strong health & safety focused workplace culture. New joiners go through an induction program which covers Occupational Health and Safety 'OHS' and there is a program of continuation training run by the Health & Safety Manger. Notably training courses have been provided for working at height and winter driving.

Concentrate offtake agreements

Although in principle terms have been negotiated with offtakers for the sales of concentrates that will be produced in the future from the Vares Project, changes in the commercial terms ultimately entered into by the Company with offtakers could arise prior to the Company entering into binding offtake agreements and there can be no assurance that the Company will be able to secure binding offtake agreements in a timely manner, on the negotiated terms or on otherwise commercially acceptable terms. These factors could have a detrimental impact on future cash flows generated by the Vares Project and on the Company's business, results of operations and activities, financial condition and prospects.

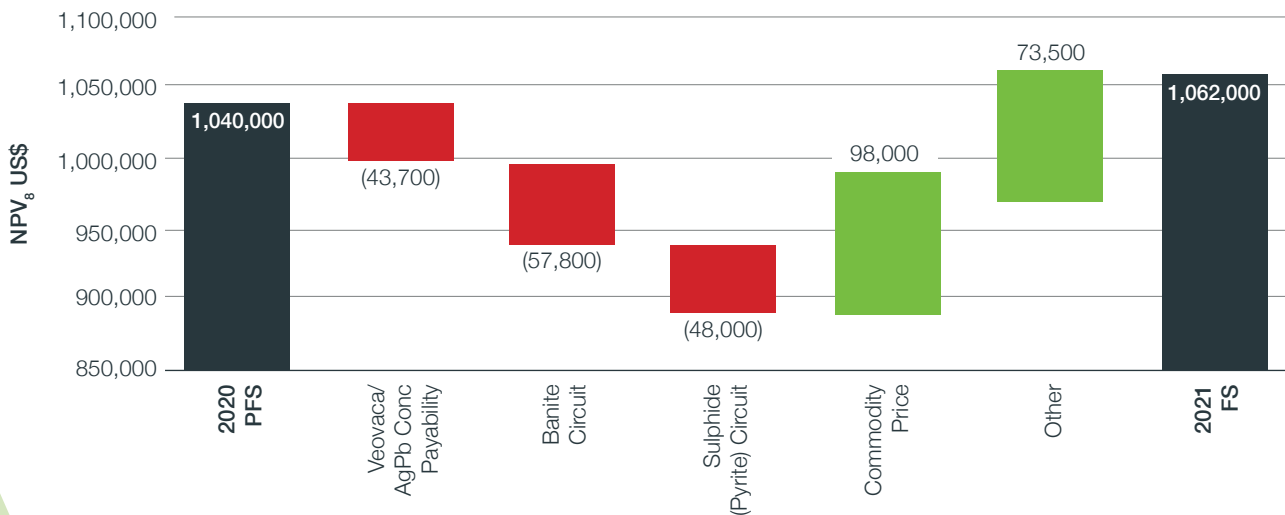
Commodity prices

The value of the Company's assets and potential earnings will be affected by fluctuations in commodity prices, such as the US\$ and GBP denominated silver, zinc, lead, gold and copper prices.

Commodity prices can significantly fluctuate and are exposed to numerous factors beyond the control of the Company such as world demand for precious and other metals, forward selling by producers, and production cost levels in major metal producing regions. Other factors that can affect commodity prices include expectations regarding inflation, the financial impact of movements in interest rates, global, regional and local economic trends, and domestic and international fiscal, monetary and regulatory policy settings.

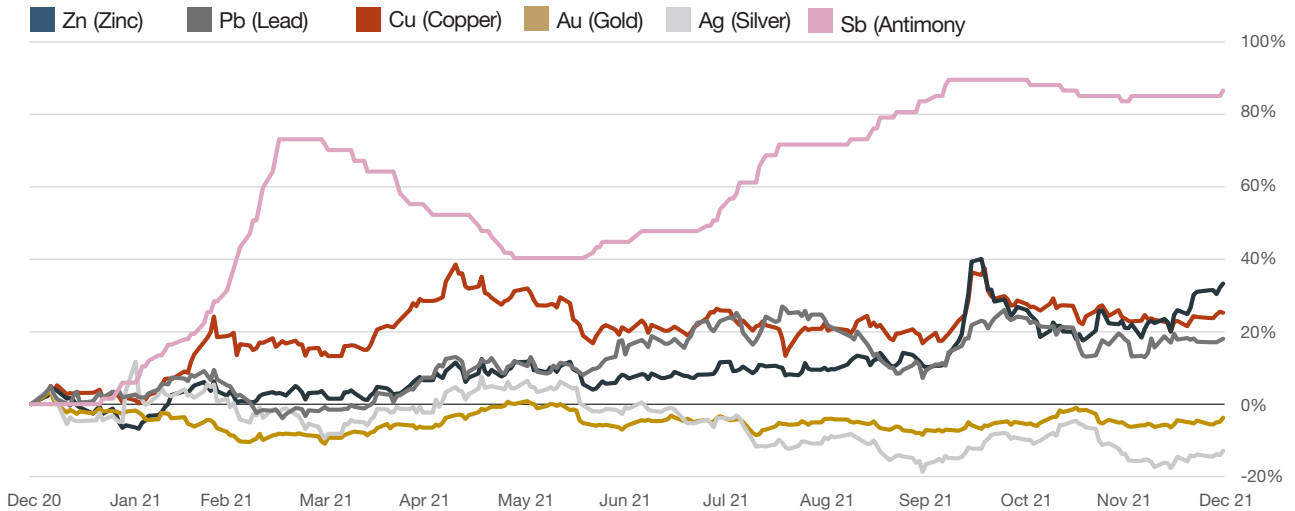
The Company routinely monitors commodity pricing trends, exploration results and technical study outcomes to ensure efficient use of capital. The FS indicated the LOM average contribution to revenue split by commodity, based on the Feasibility Study pricing assumptions as follows:

LOM average revenue split by commodity



PRINCIPAL RISKS AND UNCERTAINTIES - CONTINUED

The price performance during the year of relevant commodities for the Vares Project are shown in the graph below.



79

Au
Gold

196.967

Gold

The gold price has remained fairly flat depreciating 4% over the 12 months from 1 January 2021 and averaging US\$1,799/oz. The gold price reached its highest price of US\$1,957/oz at the start of the year in January 2021. The precious metal has maintained its strength from 2020 and after its post-COVID rebound remaining well above its low of US\$1,474/oz in March 2020.

30

Zn
Zinc

65.39

Zinc

Zinc has appreciated by 33% in the 12 months since 1 January 2021 averaging US\$3,008/t. The price has steadily increased throughout the year ending at a price of US\$3,630/t as of 31 December 2021. The metal remains 105% higher from its low of US\$1,774/t at the end of March 2020.

47

Ag
Silver

107.868

Silver

Has been more volatile than gold and has depreciated by 13% over the 12 months from 31 December 2020. After the Covid shock in March 2020 the silver price dropped to a low of US\$12/oz; since this low point the price has recovered and remains 93% higher at US\$23.1/oz as of end 31 December 2021.

82

Pb
Lead

207.2

Lead

Lead has been the worst performing of all the base metals considered here, and one of the more volatile, with the lead price appreciating 18% in the 12 months from 1 January 2021 end at US\$2,329/t. The price remains 48% above its post-COVID low of US\$1,577/t.

29

Cu
Copper

63.546

Copper

In the 12 months since 1 January 2021 the copper price has appreciated strongly, ending up 25% as a result of positive supply-demand dynamics and the aggressive transition to green energy. Copper reached a low of US\$4,618/t during the COVID shock in March 2020. Since then, the price has over doubled to US\$9,692/t as of end December 2021 peaking at US\$10,725/t during May 2021.

51

Sb
Antimony

121.760

Antimony

(price delivered to Rotterdam of 99.65% ingots)

Of all the metals considered here Antimony has been the strongest performing over the past 12 months due to supply side issues. The antimony price has increased by 87% over the 12 months from 1 January 2021 ending the year at US\$12,500/t, not far from its US\$12,700/t peak in October 2021.

Foreign exchange risk

The Company's reporting currency is Pounds Sterling. However, the Company's costs and expenses in Bosnia & Herzegovina and Serbia and other foreign countries are likely to be in foreign currencies. Accordingly, the appreciation of the foreign currency relative to the GBP could result in a translation loss on consolidation which is taken directly to shareholder equity.

The majority of the Group's revenues once the Vares Project is in production are expected to be earned in US dollars. Any depreciation of the US dollar relative to the GBP will therefore result in lower than anticipated revenue.

The Orion Debt Financing, will be denominated in US dollars. Any depreciation in the US dollar relative to the non-US dollar expenditure requirements of the Group will therefore result in a reduction in the effective value of the funding received.

Management undertook a review on an entity-by-entity basis to determine the impact of the anticipated debt financing as well as commencement of the construction phase of the Vares Project. Initial indication shows that USD appears to be the most appropriate functional currency for several entities within the Group with a trigger point being the agreement of debt documentation on 11 January 2022 subsequent to the year end. Management are considering updating the Group presentational currency to US dollar for future periods and will conclude on this ahead of the FY22 H1 Interim accounts. The Company does not currently have and does not plan to put in place any hedging arrangements in respect of its foreign currency risk. However, it holds the majority of its cash in various currencies in approximate proportion to the denomination of its projected costs.

Historic Tailings Storage Facility

Whilst, the Historic Tailings Storage Facility ("TSF") is the legal responsibility of the Municipality of Vares and is not located inside the area covered by Veovaca Exploitation Permit, there remains a residual risk to the Company that the community near Vares may consider or perceive the Historic TSF to be the responsibility of the Company, which may adversely affect the Company's standing within the local community and community relations generally.

The Company has cooperated closely with the Municipality of Vares on this matter and while it is not required to do so, the Company has commissioned

an independent expert appraisal of the Historic TSF, including assessment of its structural integrity and any associated environmental degradation. The water, air and dust monitoring during the ESIA process established baseline conditions around the Historic TSF and a management plan will be developed to address any ongoing issues identified.

If the Company elects to further address any concerns relating to the Historic TSF, which it may choose to do to maintain and protect its standing in the community, the Company may incur unrecoverable costs and spend associated management time on the matter which could affect the Company's overall operating costs and revenues.

Community/NGO concerns affecting exploration/operational activity

The Company continues to maintain an active, two-way dialogue with its communities surrounding the Project. This is primarily achieved through three channels; The Public Liaison Committee ("PLC"), the Vares Project Information Centre as well as the many staff that the Company employs from its local communities. The PLC consists of 30 members, was set up in July 2020 and meets on a quarterly basis. The Information Center is a staffed location, open to the public, located centrally in the town of Vares and has been open since September 2019. The Company currently employs 48 staff from the local communities of Vares, Breza and Kakanj.

In addition, the Company's engagement with all its stakeholders increased substantially in 2021 in line with the delivery of the ESIA. After the ESIA was published on 27 October 2021, a 60-day public disclosure and consultation period took place. During this time, the Company directly engaged with all its stakeholders and culminated in a week-long dissemination programme, with town-hall meetings in Vares and the presentation of the ESIA and its consequent Environmental and Social Management Plan to an audience of government and international stakeholders. The community of Vares, our government stakeholders and the wider audience in Bosnia & Herzegovina remain supportive of the project. As the Company's Vares Project moves from exploration to development, the Company is conscious of its requirements to honour commitments made to date, most pressingly levels of employment

and opportunity afforded to residents of the near-mine communities. And the importance of carefully managing the contractors and sub-contractors engaged to build the Project to ensure that they also adhere to the highest standards of environmental, social and safety practices.

In December an information centre was also opened in Raska. Raska, like Vares is a community with a rich mining history and therefore broadly supportive of the Company's activities to date, with no community grievances reported or community environmental activism experienced.

Land acquisition

The Company, following the guidance of EBRD's Performance Requirement 5, commissioned an internationally renowned consultant to assist in drafting its Land Acquisition Resettlement and Compensation Policy. Following this policy and after independent valuation of the private land required for Rupice surface infrastructure the Company purchased, from willing sellers, 5 plots in the autumn. No resettlement has been required for the Vares Project, and it is not foreseen that any future resettlement will be required.

Bribery & corruption

The Company's code of corporate governance specifies the measures the Company takes to comply with all applicable Anti Bribery & Corruption legislation. The Board, through its statutory oversight commitment enforces adherence and management have implemented policy and provided training to all staff, with refresher training programmed as part of the HR management plan. A whistleblower policy is in place, providing all staff the opportunity to anonymously disclose any infringement of the Company's codes, including incidences of bribery & corruption, directly to the Chair of the Audit Committee. There were no reported breaches in 2021.

PRINCIPAL RISKS AND UNCERTAINTIES - CONTINUED

In-country risks in Bosnia & Herzegovina and Serbia

The Vares Project is located in Bosnia & Herzegovina and the Raska Project is located in Serbia. The Company will be subject to the risks associated with operating in those countries, including various levels of political, sovereign, economic and other risks and uncertainties.

These risks and uncertainties include, but are not limited to, labour unrest, the risks of conflict or civil unrest, expropriation and nationalisation, renegotiation or nullification of existing concessions, licences, permits and contracts, changes in taxation policies, restrictions on foreign exchange and repatriation of funds, changing political conditions and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitude in Bosnia & Herzegovina and/or Serbia may adversely affect the operations or profitability of the Company. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, foreign currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. The laws and regulations on mining in Bosnia & Herzegovina and Serbia are still developing.

Any material adverse changes in government policies, legislation, political, legal and social environments in Bosnia & Herzegovina or Serbia or any other country that the Company has (or may in the future have) economic interests in that affect mineral exploration activities, may affect the viability and profitability of the Company.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

Outcomes in courts in Bosnia & Herzegovina and Serbia may be less predictable than in the United Kingdom, which could affect the enforceability of contracts entered into by, or judgements obtained by or given against, members of the Company in Bosnia & Herzegovina and/or Serbia.

The Company seeks to mitigate these risks through effective engagement with relevant stakeholders including all levels of government and local communities.

Political instability

The Company acknowledges the potential impact of political instability on its ability to operate and deliver both the Vares Project and Raska Project, respectively. To mitigate this risk the Company closely monitors the national political situation and carefully considers every engagement with politicians (at all levels, including internationally) with each meeting minuted in detail.

In Q4 2021, the political leader of Republika Srpska ("RS"), one of constituent entities that form Bosnia & Herzegovina, started publicising secessionist rhetoric, which received national and international attention. RS then temporarily withdrew from many of the federal institutions. However, the situation calmed by year end, with both RS returning to the federal institutions and in addition, an increased commitment was received for political and economic stability from the international community, most notably the European Union, United Kingdom and the United States of America.

The Company do not consider the conflict in Ukraine which began in February 2022 to have a significant impact on its operations. The conflict is still ongoing at the date of the annual report and management will continue to assess the impact to its operations and seek to mitigate accordingly.

Mining concessions in Bosnia & Herzegovina and Serbia

The laws and regulations on mining in Bosnia & Herzegovina are still developing and as a result some areas of the law on mining are unclear. Additionally, certain provisions of the Vares Concession are unclear and may require renegotiation or clarification, the outcome of which the Company

cannot guarantee. If the Company does not comply with the terms of the agreement it may be in default and the Concession may be terminated, which would have adverse consequences for the Company's operational and financial performance.

Outcomes in courts in Bosnia & Herzegovina and Serbia may be less predictable than in the United Kingdom, which could affect the enforceability of contracts entered into by the Company or its subsidiaries in Bosnia & Herzegovina and Serbia.

There is no guarantee that the Company will be able to obtain all required approvals, licenses and permits relating to its exploration and subsequent exploitation activities. To the extent that required authorisations are not obtained or are delayed, the Company's operational and financial performance may be materially adversely affected.

Notwithstanding these risks, the Company has made good progress during the period when it secured a substantial extension to the area covered by the Vares Project concession and was granted the Urban Planning Permit for the Veovaca area. The progress of ongoing permit applications to facilitate exploration and subsequent exploitation activities are closely monitored by management and the Board.

Permitting Delays

The Company must work very closely with the government departments responsible for permitting the Project. Open and regular dialogue to identify and resolve any issues is critical. The public consultation meeting, required for the issuance of the Rupice Environmental License, was delayed whilst the Environmental ministry was considering how to run such a gathering under the restriction of COVID-19. Through discussion with the government and the suggestion that EBRD's guidance for stakeholder engagement during the pandemic be followed, this meeting was held successfully, in the open air, during August 2020.

Company's Directors and Senior Managers

The Company will rely heavily on a small number of key individuals, in particular the Directors, its senior management and consultants, including, among other matters, to develop and maintain important relationships with governmental and regulatory authorities in Bosnia & Herzegovina and Serbia. The Group's business may be negatively affected by the departure of, any of these individuals, or any of a number of other key employees and the failure to attract suitable replacements. There can be no guarantee that the Group will be able to continue to attract and retain required employees. The Company does however hold key person insurance in respect of the Directors.

The loss or diminution in the services of any of the Directors or any member of the management team or an inability to recruit, train and/or retain necessary personnel could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects.

Vares Project Key Performance Indicators

The Company measures itself against a range of key performance indicators (KPIs) as part of the Company's overall risk management strategy. The KPI's selected for use in 2022 relate primarily to the Vares Silver Project development activities as follows:

- Vares Project delivered on time and on budget
- Maintaining compliance with permits received
- Effective integrated Health and Safety systems and procedures minimizing recordable injuries
- Growing the mineral resource base at our projects in Serbia and Bosnia & Herzegovina
- Ensure compliance with the Orion Debt Financing covenant requirements
- Gender diversity in the workplace, excluding contractors

These KPIs have been incorporated into the annual, cash based short term incentive plan for 2022 as described later in the Remuneration Report.



CLEAR AND TIMELY ENGAGEMENT WITH STAKEHOLDERS

DIRECTORS' SECTION 172(1) STATEMENT

The Board acknowledges the importance of forming and retaining constructive relationships with all stakeholder groups.

a) All Investors

The Board is committed to providing shareholders with clear and timely information on Adriatic's activities, strategy and financial position. General communication with shareholders is coordinated by the Chairman and Managing Director and Chief Executive Officer together with the Head of Investor Relations.

The Company publishes on its website a range of information which helps current and potential shareholders to assess the Group's position and prospects:

- Investor presentations
- Technical reports on the Project
- Resources estimates
- Annual and Interim Financial Statements
- Quarterly Activities Reports
- Business Strategy
- Governance material including the Corporate Governance Manual and Anti-Bribery policy
- All regulatory and other announcements relating to equity issues, Board changes, etc.
- Shareholder information (AGM etc.)
- Contact details for the Company

The Company's AGM will be held in London following the publication of its annual results and all shareholders are (subject to any COVID-19 related restrictions) invited to attend.

b) Institutional Investors

The Company maintains a regular dialogue with its major institutional investors, providing them with such information on the Company's progress as commercial confidentiality, market abuse rules and other legal requirements permit. The Company typically holds meetings with institutional investors and other large shareholders following the release of major news flow, interim and financial results.

c) Private Investors

The Company acknowledges that the majority of its private investors hold their shares via nominee shareholders and may not be able to fully exploit their shareholder rights effectively. Accordingly, the Company is committed to engaging with all shareholders and not just institutional shareholders.

The Company has a Head of Investor Relations based in London, who deals with shareholder enquiries and works in conjunction with the Company's PR advisers to facilitate engagement with its private investors.

d) Board review

The Board is kept informed of the views and concerns of major shareholders by briefings from the CEO and the Chairman and the Company's Brokers. Analysis of the share register commissioned from external consultants are also periodically circulated to the Board, together with significant investment reports from analysts.

The following disclosure describes how the Directors have had regard to the matters set out in section 172(1)(a) of the Companies Act 2006 (the Act) and forms the Directors' statement required under the Act. This reporting requirement is made in accordance with the corporate governance requirements identified in The Companies (Miscellaneous Reporting) Regulations 2018, which apply to company reporting on financial years starting on or after 1 January 2019.

The matters set out in section 172(1) (a) to (f) of the Act are that a Director must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members, and in doing so have regard (amongst other matters) to:

- a) the likely consequences of any decision in the long term;
- b) the interests of the Company's employees;
- c) the need to foster the Company's business relationships with suppliers, customers and others;
- d) the impact of the Company's operations on the community and the environment;
- e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly between members of the Company.
- g) In the above Strategic Report section of this Annual Report, the Company has set out its overall goal and its strategic priorities for attaining it.

This Statement addresses:

- a) Stakeholder engagement, with information on stakeholders, issues and methods of engagement
- b) Principal decisions made by the Board, and how stakeholder considerations influenced the decision-making process

e) Stakeholder engagement activities within the reporting period

The Company continuously interacts with a variety of stakeholders who are important to its success, including shareholders, debt providers, staff, national, cantonal and municipal government administrative and environmental bodies, NGOs, the local community, and suppliers.

In its engagement with shareholders, Adriatic endeavours to strike a proper balance between open communication and the need to keep commercially sensitive information confidential.

The Group recognises that its activities and forthcoming development of the Vares Project creates significant potential impacts on, as well as opportunities for, local people. The management of environmental and social issues will be based on an international standard ESIA. In addition, the Group is committed to regular consultation and engagement with the community including through a Community Information Centre and a Public Liaison Committee. Version 7 of the Company's Stakeholder Engagement Plan has been published, incorporating the feedback received during the ESIA disclosure period.

Key Stakeholder groups	Reason to engage	Engagement method	Engagement outcome
<p>Equity Investors</p> <p>All substantial shareholders who own more than 3% of the Company's shares are listed on page 98 within the Director's Report.</p> <p>On 13 October 2021, the Company completed a US\$102 million equity raise conducted by the Company's joint corporate brokers: Canaccord Genuity, RBC Capital Markets and Stifel Nicholas.</p> <p>Concurrent with the equity raise, Sandfire Resources, sold their entire shareholding of 16.1% in the Company via a secondary placing.</p> <p>At 31 December 2021, shares held in public hands (defined as shares not held by persons associated with the Company or holding over 5%) constituted 61.3% of the total shares in issue</p>	<p>Engagement activities are designed to inform shareholders of Adriatic's progress towards achieving its strategic objectives and develop an investor base that will support the Company in achieving those objectives.</p> <p>Access to capital is of vital importance to the long-term success of our business and achieving value for shareholders.</p>	<p>The key mechanisms of engagement included:</p> <p>Substantial shareholders:</p> <ul style="list-style-type: none"> • The other existing substantial shareholders held periodic meetings with the Chairman, CEO and CFO. <p>Prospective and existing investors:</p> <ul style="list-style-type: none"> • The AGM and Annual and Interim Reports. • Investor roadshows and presentations. • One-on-one investor meetings with the Chairman, CEO and CFO. • Access to the Company's brokers and advisers. • Regular news and Project updates. • Social media posts. • Site visits for existing and potential cornerstone investors and equity analysts. <p>Shareholders with queries are encouraged to contact Thomas Horton, the Company's Head of Corporate Development & Investor Relations, at thomas.horton@adriaticmetals.com</p>	<p>We engaged with investors on topics of strategy, governance, project updates and performance. Please see Dialogue with Shareholders Section of the Annual Report on page 36. The CEO presented at a number of investor roadshows and one-to-one meetings.</p>

DIRECTORS' SECTION 172(1) STATEMENT - CONTINUED

Key Stakeholder groups	Reason to engage	Engagement method	Engagement outcome
<p>Existing and potential future debt providers</p> <p>The Company has US\$20 million of convertible bonds in place which it issued to Queens Road Capital Limited on 1 December 2020.</p> <p>The Company has a US\$142.5 million debt financing package with Orion Resource Partners (UK) LLP ("Orion") that was completed in January 2022.</p> <p>The Company considers itself to be fully financed through to completion of construction of the Vares Project, where it expects to generate self-sustaining cash flows from operations. As such, the company does not consider that it requires and further debt finance at the current time.</p>	<p>Particularly during its pre-production, exploration and development phases, Adriatic may incur substantial debt from time to time to finance working capital, capital expenditures, investments or acquisitions or for other purposes.</p> <p>To achieve the outcomes indicated in the Vares Project Feasibility Study, external funding from a combination of equity and debt instruments has been raised to finance the initial up-front capital requirements to construct the mine, processing plant and general Project infrastructure which is estimated to be US\$168.2 million.</p> <p>The Orion Debt Financing documentation contains a number of information reporting obligations that the Company must comply with.</p> <p>The Group is committed to international best practices and to working to the standards set out in the Equator Principles, the IFC Performance Standards and EBRD Performance Requirements.</p>	<p>During the year one-to-one meetings with the CEO and/or CFO were undertaken on a regular basis with a range of potential debt providers to provide regular updates on progress of the Vares Project.</p> <p>The Company also engaged Tamesis Partners and Terrafranca Advisory to provide debt advisory services, including the preparation and distribution of an information package to potential financiers, solicitation of financing offers and evaluation of the same.</p> <p>Following completion of the debt financing package, routine operational and financial performance reporting, including covenant compliance certificates, will be provided to Orion in 2022.</p> <p>Regular technical team meetings take place will take place between the Company and Orion throughout the construction phase of the Vares Project.</p> <p>The CEO and CFO maintain regular and open communications with both Orion and QRC on an as needed basis.</p>	<p>The process to select debt providers to meet the upfront capital requirements of the Vares Project was successfully concluded during the year with the Company announcing on 13 October 2021 that it had agreed a term sheet with Orion Resource Partners (UK) LLP for a US\$142.5 million debt financing package comprising:</p> <ul style="list-style-type: none"> • US\$120.0 million senior secured debt; and • US\$22.5 million copper stream <p>The Orion Debt Financing was completed in January 2022. No funds have yet been drawn under the facility and financial close remains subject to satisfaction of customary conditions precedent.</p>

Key Stakeholder groups	Reason to engage	Engagement method	Engagement outcome
<p>Workforce</p> <p>The Company has 11 UK based employees, 82 employees based in Bosnia & Herzegovina, 26 based in Serbia.</p> <p>Of the six Directors two are UK resident and four are non-UK resident.</p> <p>The Chairman is UK-based, the CEO is based in Bosnia & Herzegovina and the CFO is based in Jersey, Channel Islands.</p>	<p>The Company's long term success depends to a large degree on the expertise, loyalty and commitment to Adriatic's values of its workforce.</p> <p>The Board recognises that reliance on key personnel is a known risk.</p> <p>The Board recognises the importance of company culture and of establishing employee alignment on issues like safety and health, business integrity and sustainable development.</p> <p>The Company has an absolute commitment to safe operations and the principle of 'do no harm'.</p>	<p>General Workforce:</p> <ul style="list-style-type: none"> Adriatic maintains an open line of communication between its employees, senior management and Board. The Group monitors HSE obligations and reports performance against these. The Group undertook a group-wide employee survey during the year. <p>UK employees:</p> <ul style="list-style-type: none"> The CEO and CFO report regularly to the Board, including the provision of board information. Key members of the finance team are invited to the Audit & Risk Committee meetings. There is a formalised employee induction into the Company's corporate governance policies and procedures. <p>Bosnian employees:</p> <ul style="list-style-type: none"> There is a Bosnian HR Function. The CEO relocated to Bosnia & Herzegovina at the start of 2021 and now resides in the country. Additionally, senior management regularly visit the operations in Bosnia & Herzegovina and engage with its employees through one-on-one and staff meetings, employee events, Project updates etc. <p>Serbian employees:</p> <ul style="list-style-type: none"> Serbian HR activities are managed through the Bosnian HF Function with localization assistance from our administrative team in Belgrade. Senior management regularly visit the operations in Serbia and engage with its employees through one-on-one and staff meetings, employee events, Project updates etc. 	<p>General Workforce:</p> <p>The Company maintained an excellent safety record during the year. Three lost time injuries occurred during the year of which two occurred in contractor drilling operations.</p> <p>UK Employees:</p> <p>The number of UK based employees increased by four during the year net, of three leavers.</p> <p>Bosnian employees:</p> <p>The Company attracted a further 29 employees to the workforce during the year with excellent staff retention with only one leaver during the course of 2021.</p> <p>Serbian employees:</p> <p>The Company has attracted a further 5 employees to the workforce during the year with excellent staff retention and no leavers during the year.</p> <p>Employee Survey outcome</p> <p>In October 2021 an Employee Survey was conducted to gauge the performance of senior management's delivery of the Company's values and visions.</p> <p>There was a 68% response rate to the employee survey indicating which displays a high level of employee involvement and wiliness to participate</p> <p>Positive trends to build on as Project construction ramps up are leadership and safety culture.</p> <p>Areas identified as requiring attention relate to respect, communication and fostering a safe environment for sharing ideas.</p>

DIRECTORS' SECTION 172(1) STATEMENT - CONTINUED

Key Stakeholder groups	Reason to engage	Engagement method	Engagement outcome
<p>Governmental bodies</p> <p>The Company engages with local (Municipal), regional (Cantonal) and national (Federal) government in Bosnia & Herzegovina.</p> <p>In Serbia the Company engages with local (Municipal) and national government.</p>	<p>The Company will only be able to declare commercial production once it receives the relevant licenses and permits from all levels of government to mine, process and export concentrates.</p>	<p>The Company engages with the relevant departments of both the Bosnian & Serbian governments to obtain the operational licences it will require. In addition to statutory reporting the Company regularly updates the government departments and that open, continuous engagement is key to developing a successful permitting regime.</p> <p>The Country Managers report regularly to the Board on progress with obtaining licences and permits.</p> <p>The Group is committed to being a long-term actor in both Bosnia & Serbia with a firm commitment to each country's sustainable development. We are committed to conducting our relationships on the basis of transparency, partnership and integrity</p>	<p>Bosnia:</p> <p>The Company announced on 28 January 2021 that it had been awarded the Exploitation Permit for Veovaca (covering both the historic open pit and the processing plant location).</p> <p>On 9 February 2021 the Company received its Environmental Permit for Rupice.</p> <p>On 3 June 2021 the Company announced the issuance of the Urban Planning Permit for Rupice.</p> <p>On 19 July 2021 the Company announced that it had been awarded the Exploitation Permit for Rupice.</p> <p>On 28 October 2021 the Company was issued a revised Environmental Permit for Veovaca, incorporating the redesigned Tailings Storage Facility requirement (increase in LoM tailings after removal of the barite processing circuit).</p> <p>Serbia:</p> <p>The Company was awarded in December 2021 the 37 km² Kazenovice license, extending its exploration activities further to the East of the existing licenses.</p>

Key Stakeholder groups	Reason to engage	Engagement method	Engagement outcome
<p>Community</p> <p>Bosnia & Herzegovina:</p> <p>The near-mine communities in Vares and Kakanj and the wider population of the municipalities and Canton of Zenica-Doboj.</p> <p>Serbia:</p> <p>The near-mine communities in the Municipality of Raska, the national park of Kopaonik (which borders the North-eastern extremities of the license area) and the wider population of both Southwest Serbia and Northern Kosovo.</p>	<p>Establishing and maintaining good relations with the local community throughout the development, operation and ultimately closure of the mine is vital for the Company's social license to operate.</p> <p>Principally, the Company needs to engage with its affected communities in order to build trust. Developing this will increase the likelihood that any fears raised can be assuaged and the Company's plans and strategies are more likely to be accepted. Community engagement will inform better decision making, particularly during the Project planning stage.</p> <p>The Company will in due course have a significant social and economic impact on the local community and surrounding area.</p> <p>Dissemination of Project developments, the advertisement of the public consultations and the function of the Information Centre is a cornerstone of the Company's ESG policy.</p> <p>Bosnia & Herzegovina:</p> <p>The municipality of Vares and the surrounding area supply the majority of the Company's employees now and in the future.</p> <p>Serbia:</p> <p>The municipality of Raska provides over 50% of the Company's local staff.</p>	<p>The Company, assisted by its contracted Environmental, Social & Governance consultant and advised by Critical Resource (An ESG consulting group which is part of the ERM Group of companies) is following a carefully constructed program of engagement.</p> <p>The Company's ESG Committee continues, inter alia, to monitor Adriatic's engagement with its stakeholders. The ESG charter and policy commits the Group to ensuring sustainable growth, with minimal adverse impacts.</p> <p>Bosnia & Herzegovina:</p> <p>The Company's Stakeholder Engagement Plan has been substantially updated, following feedback from the ESIA dissemination events and a Community Development Plan is under draft to shape and prepare the near-mine communities for the economic changes associated with a producing asset.</p> <p>The Group employs the majority of its current (and future) staff from the municipality of Vares and as the Company approaches the build phase of the Project a Local Business Development Officer has been appointed to encourage/ support local procurement and contracting.</p> <p>Critical Resource has further been contracted to conduct a review of the Company's 2021 performance in Bosnia and use that to draft an ESG narrative to guide operations through the development stage.</p> <p>Social, print, radio and television media platforms have all been utilised. A bi-weekly interview with members of staff is broadcast on Radio Bobovac, which is listened to by approximately 80% of the residents of Vares. Most recently a Media Coordinator has been bought onto the team in Vares, particularly to focus on the increasing social media flow associated with the Project.</p> <p>Serbia:</p> <p>The blueprint of Community Engagement developed in Bosnia is being rolled out in Serbia. A Stakeholder Engagement Plan, initial public consultation and the opening of an Information Centre in the town of Raska were all completed in 2021 in line with increased operational activity. In 2022 a Public Liaison Committee will be established.</p>	<p>Bosnia & Herzegovina:</p> <p>Effective media penetration both locally and regionally, increasing social media presence which will be further propagated and used for local recruitment.</p> <p>The Public Liaison Committee has held three meetings and is proving an excellent forum for community feedback.</p> <p>Visits to the Information Centre continue at approximately 100 per month, from members of the community, with visits predominately about job opportunities and for funding of local initiatives.</p> <p>The Public Liaison Committee, a panel of 28 community volunteers met 4 times during the year and as well as a Project site visit were given a detailed presentation about the findings and proposed mitigation measures identified during the ESIA.</p> <p>Five private land plots were purchased to support the development or Rupice Surface Infrastructure site. The acquisition of land was completed in accordance with EBRD's Performance Requirement 5 and followed the guidance developed in a detailed Land Acquisition Compensation & Resettlement Plan. All 5 plots were purchased under the "willing buyer, willing seller" criteria.</p> <p>Serbia:</p> <p>The Company, through its local engagement with the Raska community has yet to experience any "spill-over" from the environmental campaign that has so publicly targeting Rio Tinto's Serbian operations. As a historic mining town, the continued feedback is of a strong desire for operations to re-start and provide employment opportunities that will reverse the migration of young people away from Raska to Belgrade and further afield.</p>

Key Stakeholder groups	Reason to engage	Engagement method	Engagement outcome
<p>Suppliers</p> <p>During the construction phase of the Vares Project, Adriatic will engage with key suppliers under commercial engineering and supply contracts to deliver the mine and plant equipment, the majority of which are internationally recognised vendors and contractors.</p> <p>At a local level, the Company has also engaged with and partnered with smaller companies, some of which are independent or family run businesses.</p>	<p>The Company's suppliers are fundamental to ensuring that the Company can construct the Vares Project on time and on budget. Using quality suppliers ensures that the Company can meet the highest standards of performance and safety across all areas of the business, including contractors and sub-contractors</p>	<ul style="list-style-type: none"> The procurement team has undertaken the pre-qualification of several engineering and procurement providers and mining contractors. Contract tendering has commenced for several procurement packages One on one meetings between management and suppliers. Contact with procurement department and accounts payable. Membership of Cantonal and National Chambers of Commerce. Presentations at National trade events and forums. 	<p>Smaller local vendors continue to be engaged at a broad level to better align with the Company's objective of increasing local and regional Project participation.</p> <p>Smaller companies have entered into Joint Venture agreements.</p> <p>National companies have started to explore options of moving elements of their business into the Municipality in order to support Project delivery operations more effectively and efficiently.</p> <p>Company procurement policies, procedures and processes have been introduced and implemented throughout the business.</p>

Tenement holdings

The Company's tenements at 8 March 2022 are set out in the table below. 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 has an option agreement to acquire 100% ownership of Deep Research d.o.o. but has no equity interest in that entity at present.

	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	Eatsern Mining d.o.o.	Veovaca1	1.08	12-Mar-2013	11-Mar-2038
				Veovaca 2	0.91	12-Mar-2013	11-Mar-2038
				Rupice-Jurasevac, Brestic	0.83	12-Mar-2013	13-Mar-2038
	Annex 3 - Area Extension	No.: 04-18-21389-3/18	Eatsern Mining d.o.o.	Rupice - Borovica	4.52	14-Nov-2018	13-Nov-2038
				Veovaca - Orti - Seliste - Mekuse	1.32	14-Nov-2018	13-Nov-2038
	Annex 5 - Area Extension	No: 04-18-14461-1/20	Eatsern Mining d.o.o.	Barice - Smajlova Suma - Macak	19.45	03-Dec-2020	03-Dec-2050
Droskovac - Brezik				2.88	03-Dec-2020	03-Dec-2050	
Borovica – Semizova Ponikva				9.91	03-Dec-2020	03-Dec-2050	
Serbia	Exploration License	310-02-1721/2018-02	Ras Metals d.o.o.	Kizevak	1.84	03-Oct-2019	03-Oct-2022
	Exploration License	310-02-1722/2018-02	Ras Metals d.o.o.	Sastavci	1.44	12-Mar-2013	03-Oct-2022
	Exploration License	310-02-1114/2015-02	Taor d.o.o.	Kremice	8.54	21-Apr-2016	21-April-2022
	Exploration License	310-02-00060/2015-02	Deep Research d.o.o.	Raska (Suva Ruda)	87.17	28-Dec-2015	18-Feb-2022*
	Exploration License	310-02-01670/2021-02	Global Mineral Resources d.o.o.	Kaznovice	37.1	22-Nov-2021	22-Nov-2024

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

HIGH STANDARDS OF BUSINESS CONDUCT

PRINCIPAL DECISIONS BY THE BOARD DURING THE PERIOD

We define principal decisions as those which potentially have a long-term strategic impact and are material to the Group, and/or are significant to our key stakeholder groups.

In making the following principal decisions, the Board considered balancing the needs of different stakeholders, the need to maintain a reputation for high standards of business conduct, the impact on the environment and the need to act fairly between the members of the Company:

a. Approval of technical Information prior to announcement

After careful consideration, including internal review procedures as necessary, the Board approved for release on 19 August 2021 the Vares Project Feasibility Study including Rupice probable ore reserves.

b. Vares Project Construction Decision

Following the release of the Vares Project Feasibility Study, the Board took the decision to proceed with construction of the Project and to seek to raise additional funding for the Company sufficient to meet the initial capital requirements of US\$168.2 million for construction, ongoing exploration activities and general working capital requirements.

c. Project Finance Package

Following an extensive process undertaken by management, the board approved a Project finance package of approximately US\$244.5 million, before expenses, for the construction of the Vares Project which was announced to the market on 13 October 2021 as follows:

- Adriatic Metals and Orion Resource Partners (UK) LLP ("Orion") have signed a term sheet for a US\$142.5 million Orion Debt Financing package, comprising of:
 - US\$120.0 million senior secured debt; and
 - US\$22.5 million copper stream.
- In addition to the Orion debt financing, the Company completed an equity raise of approximately US\$102.0 million, consisting of:
 - a conditional placing of approximately US\$52.0 million (the "Placing"), conducted through an accelerated bookbuild process (a method whereby the offering of new shares occurs over a short period).
 - a conditional equity subscription for US\$50.0 million by Orion (the "Orion Equity Subscription").
- Together, the Orion Debt Financing of US\$142.5 million, the Orion Equity Subscription of US\$52.0 million and the Placing of US\$50.0 million form the US\$244.5 million Project finance package. Definitive document was completed post year end for the Orion Debt Financing on 10 January 2022.

The Placing and Orion Equity Subscription were priced at £1.5174 (AU\$2.801) per New Ordinary Share, representing a discount of approximately 10.7% to the 10-day volume weighted average price on the Australian Securities Exchange ("ASX") to 12 October 2021.

d. Environmental & Social Impact Assessment

Following on from baseline studies started in 2020, Adriatic have undertaken an Environmental & Social Impact Assessment ("ESIA") in line with best international practice for the Vares Project. The Company appointed Wardell Armstrong International to develop the ESIA, in order to conform with the Performance Requirements set out in the European Bank for Reconstruction and Development's 2019 Environmental and Social Policy. The data from the baseline studies, and predictive modelling of the project components and activities, has informed a comprehensive suite of Environmental and Social Management Plans. These will guide the Company's activities throughout the development, exploitation, and ultimate decommissioning of the Vares Project to avoid, minimise and manage impacts.

DEVELOPING A PIPELINE OF ASSETS

OUR ASSETS

The Company asset portfolio consists of two polymetallic projects in southeast Europe, which are both situated on the Tethyan Metallogenic Belt. Adriatic's flagship asset is the Vares Project in Bosnia and Herzegovina, which is currently in construction. The Company also has an exploration project in Serbia called the Raska Project in Serbia.



OUR ASSETS - CONTINUED

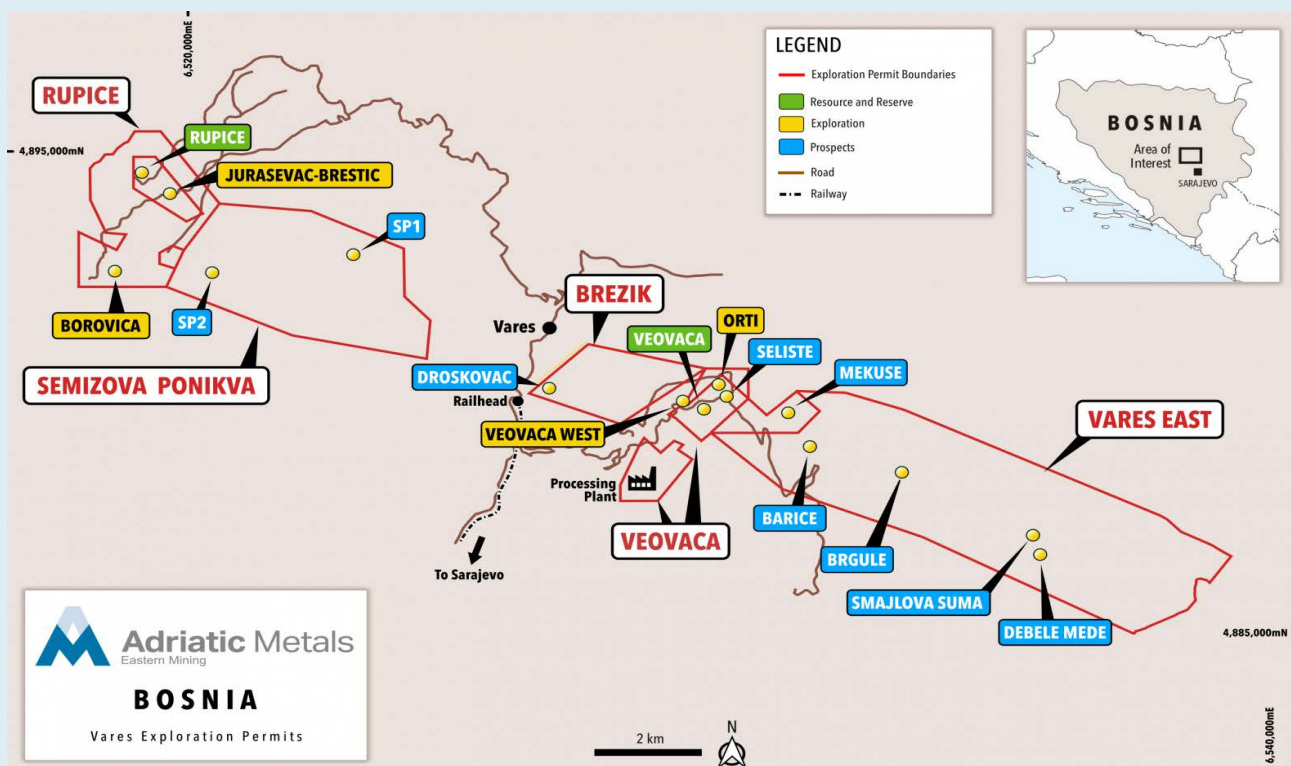
THE VARES PROJECT, BOSNIA & HERZEGOVINA

The Company's flagship Vares Project is located approximately 50 km north of Sarajevo, in the district of Vares



The Company's flagship Vares Project is located approximately 50 km north of Sarajevo, in the district of Vares.

Adriatic, through its wholly owned subsidiary Eastern Mining d.o.o., owns 100% of the 41 km² Vares Project concession. The concession area includes the Mineral Resource Estimates of Rupice and Veovaca, as well as a number of prospects and exploration targets as outlined in the map below.



The concession area expires in 2038, but can be extended for a further 10 years upon written request. The Group received the exploitation permit from the Federal Ministry for Energy, Mining and Industry for Veovaca (which includes the Vares Processing Plant site) and Rupice on 28 January 2021 and 19 July 2021, respectively. The receipt of the Veovaca exploitation permit initiates the formal exploitation period for the Project, which under the terms of the concession agreement is up to 30 years. The Rupice exploitation permit was the last remaining permit required for the commencement of construction.

Eastern Mining is the first company to conduct exploration in the surrounding Vares District since the late 1980s, when the last mining operation in the area was shutdown. Informed by data from historical exploration activities within the Vares District, the Company has been conducting exploration activities since 2017, and successfully delineated a maiden Mineral Resource Estimate at Rupice in July 2019. An updated Mineral Resource Estimate was subsequently announced in September 2020. Over the past 12 months, exploration drilling by Adriatic has been focused mainly around the Rupice underground deposit. However, following the issue of the exploration permit in June 2021, for the 32 km² of additional concession area granted in

September 2020, exploration activities in 2022 are expected to cover these new areas of Semizova-Ponikva, Brezik and Vares East.

2021 Feasibility study confirms robust economics

In August 2021, a Feasibility Study on the Vares Project was released. The results from the Feasibility Study improved on the 2020 Preliminary Feasibility Study, boasting high-margin economics with a low up-front capital expenditure.

High-grade mineral resources with strong potential for exploration upside

As outlined in the 2020 Mineral Resource Estimate, the polymetallic underground deposit of Rupice has high grades of silver and zinc, with lead, copper and gold credits. The style of mineralisation has potential to repeat along strike, as well as extend at depth. This suggests a potential for further discoveries across the concession area.

Marketable concentrate grades

The Vares Project has two product streams; a zinc concentrates and a silver-lead concentrate. Over the first 24 months of production, the zinc

concentrate will grade at 55-58% zinc, and the silver-lead concentrate will grade at 43-49% lead and on average 2,600g/t silver. Over life of mine, the Project will produce 511,496 tonnes of zinc concentrate, and 580,507 tonnes of silver-lead concentrate. Following extensive conversations with a number of smelters and commodities traders, both concentrates are marketable.

Existing infrastructure in a historical mining district

The nearby town of Vares, is located between the Rupice deposit to the northwest and the proposed site of the Vares Processing Plant to the southeast. The town has a long history of mining. State-owned iron ore mining operations and associated steelworks operated there from the 1890s until the late 1980s. It is as a result of this that there remains existing road, rail, water and power infrastructure.

Brownfield processing plant site, Greenfield underground mine

The location of the new Vares Processing Plant will be on the site of an abandoned processing facility last

used in the late 1980s. The abandoned site, circa 4km from the town of Vares, has been demolished and prepared ready for construction to commence. A large administrative building that has already been fully renovated and repurposed as the Company's main office. The concrete foundations of the abandoned processing plant site have been geotechnically tested and will be repurposed for the new Vares Processing Plant.

The Rupice deposit is a greenfield site located 11km as the crow flies from the Vares Processing Plant site. Construction activities have commenced for the surface infrastructure.

Mineral Resources

The Vares Project comprises the Rupice and Veovaca deposits.

The Mineral Resource Estimate has not changed since 1 September 2020, where the Company announced an updated Indicated and Inferred Mineral Resource estimate for the Rupice deposit.

Rupice Mineral Resources (Note 1)

At 31 December 2020

JORC Classification	Tonnes (mt)	Grades							Contained metal						
		Ag	Zn	Pb	Au	Cu	Sb	BaSO ₄	Ag	Zn	Pb	Au	Cu	Sb	BaSO ₄
		g/t	%	%	g/t	%	%	%	Moz	Kt	Kt	Koz	Kt	kt	Kt
Indicated	9.5	176	4.9	3.1	1.6	0.5	0.2	29	54	466	294	500	52	22	2,732
Inferred	2.5	49	0.9	0.7	0.3	0.2	0.1	9	4	23	18	27	4	3	218
Total	12.0	149	4.1	2.6	1.4	0.5	0.2	25	58	488	312	526	56	24	2,949

Note 1:

- Prepared by CSA Global Pty Ltd in Perth in September 2020
- Mineral Resources are based on JORC Code definitions.
- A cut-off grade of 50g/t silver equivalent has been applied.
- AgEq – Silver equivalent is calculated using conversion factors of 31.1 for Zn, 24.88 for Pb, 80.0 for Au, 1.87 for BaSO₄, 80.87 for Cu and 80.87 for Sb, and recoveries of 90% for all elements. Metal prices used were US\$2,500/t for Zn, US\$2,000/t for Pb, \$150/t for BaSO₄, \$2,000/oz for Au, \$25/oz for Ag, \$6500/t for Sb and \$6,500 for Cu.
- The applied formula is: $AgEq = Ag(g/t) * 90\% + 31.1 * Zn(\%) * 90\% + 24.88 * Pb(\%) * 90\% + 1.87 * BaSO_4(\%) * 90\% + 80 * Au(g/t) * 90\% + 80.87 * Sb(\%) * 90\% + 80.87 * Cu(\%) * 90\%$
- It is the opinion of Adriatic Metals and the Competent Persons that all elements and products included in the metal equivalent formula have a reasonable potential to be recovered and sold.
- Metallurgical recoveries of 90% have been applied in the metal equivalent formula based on recent and ongoing test work results.
- A bulk density was calculated for each model cell using regression formula $BD = 2.745 + BaSO_4 * 0.01793 + Pb * 0.06728 - Zn * 0.01317 + Cu * 0.1105$ for the halo domain, $BD = 2.7341 + BaSO_4 * 0.01823 + Pb * 0.04801 + Zn * 0.03941 - Cu * 0.01051$ for the fault zones and $BD = 2.7949 + BaSO_4 * 0.01599 + Pb * 0.05419 + Zn * 0.01169 + Cu * 0.06303$ for the low-grade domain. Bulk density values were interpolated to the combined high-grade domain from 631 BD measurements.
- Rows and columns may not add up exactly due to rounding.

OUR ASSETS - CONTINUED

The Veovaca Indicated and Inferred Mineral Resource estimate was unchanged during the period and stands at:

Veovaca Mineral Resources (Note 2) At 30 June 2020 and 31 December 2020

JORC Classification	Tonnes (mt)	Grades					Contained metal				
		Zn	Pb	BaSO ₄	Au	Ag	Zn	Pb	BaSO ₄	Au	Ag
		%	%	%	g/t	g/t	Kt	Kt	Kt	Koz	Moz
Indicated	5.3	1.6	1.0	16.1	0.1	50	83	50	860	14	9
Inferred	2.1	1.1	0.5	5.9	0.1	17	23	10	120	4	1
Total	7.4	1.4	0.9	13.2	0.1	41	106	70	980	18	10

Note 2:

- Prepared by CSA Global Pty Ltd in Perth in June 2019
- Mineral Resources are based on JORC Code definitions.
- A cut-off grade of 0.6% ZnEq has been applied.
- ZnEq is calculated using conversion factors of 0.80 for lead, 0.08 for BaSO₄, 1.80 for gold and 0.019 for silver, and recoveries of 90% for all elements. Metal prices used were US\$2,500/t for zinc, US\$2,000/t for lead, US\$200/t for BaSO₄, US\$1,400/oz for gold and US\$15/oz for silver.
- The applied formula is: $ZnEq = Zn\% * 90\% + 0.8 * Pb\% * 90\% + 0.08 * BaSO_4\% * 90\% + 1.8 * Au(g/t) * 90\% + 0.019 * Ag(g/t) * 90\%$.
- It is the opinion of Adriatic Metals and the Competent Persons that all elements and products included in the metal equivalent formula have a reasonable potential to be recovered and sold.
- A bulk density was calculated for each model cell using regression formula $BD = 2.70855 + BaSO_4 * 0.01487 + Pb * 0.03311 + Zn * 0.03493$.
- Rows and columns may not add up exactly due to rounding

There have been no material adverse changes in the assumptions underpinning the forecast financial information or material assumptions and technical parameters underpinning the mineral resource estimate since the original relevant market announcements which continue to apply.

In addition to the Company's internal resources, the Company also utilises the services of independent specialist consultants including CSA Global, Ausenco and others as part of the governance and internal controls in relation to mineral resource estimates and the reporting thereof.

Competent Persons' Statement

The information relating to the Mineral Resources estimates in this Annual Report are based on and fairly represents information and supporting information compiled by Mr. Dmitry Pertel. Mr. Pertel is a full-time employee of CSA Global and is a Member of the Australian Institute of Geoscientists. Mr. Pertel has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and

to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources, and Ore Reserves (JORC Code). Mr. Pertel consents to the disclosure of information in this report in the form and context in which it appears.

The information in this report which relates to Exploration Results is based on, and fairly represents, information compiled by Mr. Philip Fox, who is a member of the Australian Institute of Geoscientists (AIG). Mr. Fox is a consultant to Adriatic Metals PLC, and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Fox consents to the inclusion in this report of the matters based on that information in the form and context in which it appears.

The information in this report which relates to Metallurgical Results is based on, and fairly represents, information compiled by Mr. Philip King of Wardell Armstrong. Mr. King and Wardell Armstrong are consultants to Adriatic Metals PLC and Mr. King has sufficient experience in metallurgical processing of the type of deposits under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. King is a Fellow of the Institute of Materials, Minerals & Mining (which is a Recognised Professional Organisation (RPO) included in a list that is posted on the ASX website from time to time), and consents to the inclusion in this report of the matters based on that information in the form and context in which it appears.

The Rupice Probable Ore Reserves was calculated for the Vares Project Feasibility Study and currently stands at:

In-situ Rupice Ore Reserves (Note 3)

At July 2021

JORC Classification	Tonnes (mt)	Grades			Contained metal											
		Ag		Zn	Pb	Au	Cu	Sb	BaSO ₄	Ag	Zn	Pb	Au	Cu	Sb	BaSO ₄
		g/t		%	%	g/t	%	%	%	Moz	kt	kt	koz	kt	kt	kt
Proved																
Probable	7.29	202	5.7	3.6	1.9	0.6	0.2	32.4	47	417	262	441	44	16	236	
Total	7.29	202	5.7	3.6	1.9	0.6	0.2	32.4	47	417	262	441	44	16	236	

Note 3:

- Ore Reserves are based on JORC Code definitions.
- Rows and columns may not add up exactly due to rounding.
- FS metal prices, payabilities and recoveries have been applied.

The information in this report that relates to Ore Reserves is based on information compiled by Mr. John Battista and Mr. Simon Grimbeek, both of whom are Competent Persons and Members of the Australasian Institute of Mining and Metallurgy. Both Mr. Battista and Mr. Grimbeek are currently employed by Mining Plus. Mr. Battista and Mr. Grimbeek both have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code)". Mr. Battista and Mr. Grimbeek consent to the disclosure of information in this report in the form and context in which it appears.



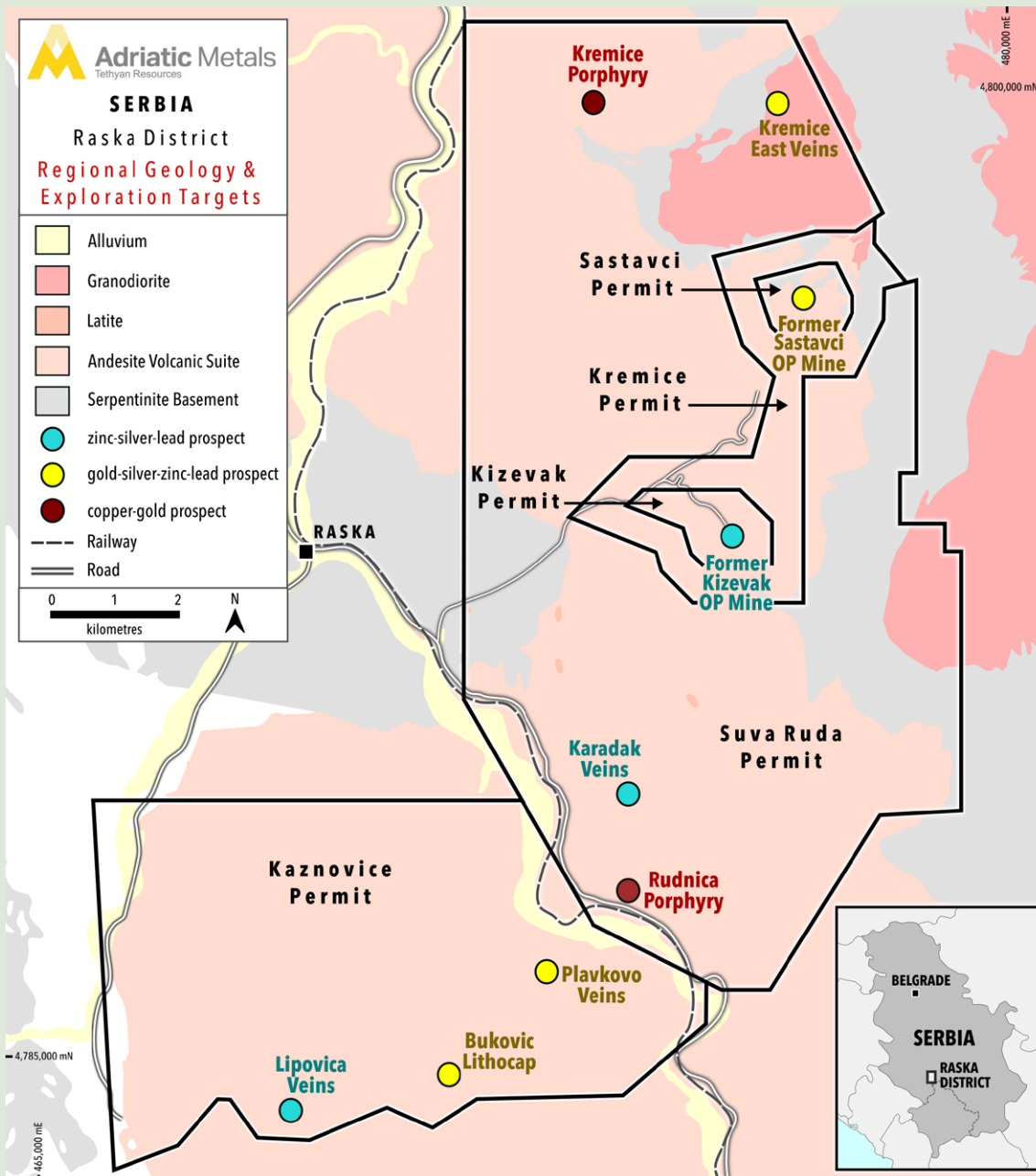
OUR ASSETS - CONTINUED

THE RASKA PROJECT, SERBIA

The Raska Zinc-Silver Project in Serbia was attained through the acquisition of Tethyan Resource Corp. (Tethyan), which was completed in October 2020.



Tethyan were exploring a highly prospective 130km² land package in southern Serbia, focused primarily around two historic open pit mining operations called Sastavci and Kizevak, which both closed in the late 1990s. The Sastavci and Kizevak deposits, like those in the Vares Project, sit on the Polymetallic Tethyan Metallogenic Belt and thus also contain zinc, silver and lead mineralisation.



Since the acquisition of the Raska Project, the Company has been conducting exploration activities, including resource definition drilling with diamond core drill rigs operating at each key target. Drilling has been continuing, and to date at Kizevak has intercepted various zones of silver, zinc and lead mineralization, while at Sastavci drilling has confirmed near-surface polymetallic mineralisation, as well as an anomalous broad gold structure at depth. Further mineralised sub-parallel structures have also been discovered within 100m of the main mineralising trend, which demonstrate potential for scale.

ON TRACK FOR Q2 2023 PRODUCTION AT THE VARES PROJECT

CEO STATEMENT

2021 was another transformational year in the Company's somewhat short history.



Paul Cronin
Managing Director and
Chief Executive Officer

The team has worked tirelessly to deliver major milestones for the Company. The Vares Project is now fully permitted, fully funded, in construction and underpinned by the economics of a world-class Feasibility Study.

The Vares Project will not only be Europe's next operating mine, but it will be one of the first new mining projects to be built in Bosnia & Herzegovina for more than a generation. I would like to express my appreciation to the Bosnian regulatory authorities and our local communities, for their support and professionalism in providing the required regulatory approvals. Without these regulatory approvals, the financing and recent commencement of construction would not have been possible.

The impact that Adriatic Metals will be making to Bosnia & Herzegovina cannot be understated. This year, Adriatic's investment in the construction of the Vares Project will represent over 25% of Foreign Direct investment into Bosnia & Herzegovina. Once in production, the operations will account for over 1.5% of Bosnian GDP and during the first 6 years of production the Company is expected to be Bosnia & Herzegovina's largest exporter.

Having moved to Sarajevo over a year ago, I have witnessed first-hand the positive impact we are making and the community support we have created for the project. In addition to building the mining operations, it is important that we also create sustainable socio-economic benefits for the communities around the Project. I am incredibly proud of the ESIA that we have produced for the Vares Project. It was the first ever ESIA to be completed by a private company in Bosnia & Herzegovina. What's more, we ensured that it conformed to the highest international standards, those set by the EBRD and IFC.

It is these high standards that ensure the Company will be a sustainable creator of shared prosperity, which I am confident in turn will ensure long term local stakeholder support. It is this approach to developing the Vares Project which has received international endorsement from multiple stakeholders, including EBRD.

Building on the theme of shared prosperity, last year we established a charitable trust called the Adriatic Foundation. The Foundation is capable of being a long-term engine for development of the communities surrounding Vares, guided by the priorities of its local people. It has been seed funded and will have ongoing funding from Eastern Mining's profits. It is also capable of attracting investment from a variety of government and non-government agencies to coinvest in initiatives that provide a positive long-term legacy. We hope too that the development of our work will also facilitate the development of complementary industries such as tourism and renewable energy generation.

The Company aspires to be a multi-asset European-focused mining company. While our primary focus will be the on-time and on-budget delivery of Vares Project, where value-accretive to the Company, we will expand our pipe-line of projects through opportunistic acquisitions. However, it is important that any potential new projects are aligned to our values of good stewardship and therefore comply with our strong ESG principles.

I am very excited for 2022 as we move through the construction phases of the Vares Project. It will be yet another transformable year. Concurrently, we will be continuing our exploration activities, as well as extend our concession area boundaries along strike to broaden the strategic land package.

I would like to thank our shareholders for their continued support, as well as our staff who individually and collectively make Adriatic, not only a great place to work, but a company primed for growth and success.

Paul Cronin

Managing Director and
Chief Executive Officer

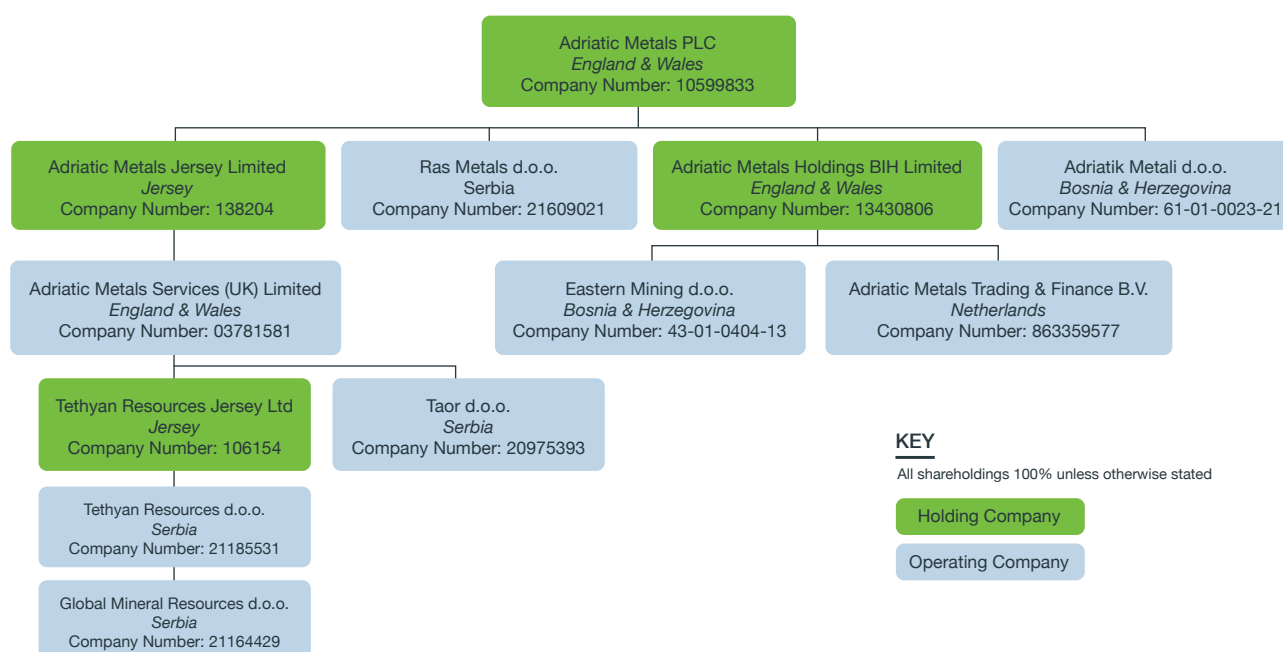


ADVANCING TOWARDS PRODUCTION

OPERATIONAL REVIEW

CORPORATE STRUCTURE

The corporate structure of the Group as at 29 March 2022 is as follows:



Adriatic Metals PLC is a public limited company incorporated in England and Wales on 3 February 2017.

The Company's principal assets are its investment, via Adriatic Metals Holdings BIH Limited, in the group's wholly owned subsidiary Eastern Mining d.o.o. and its direct holding in Adriatic Metals Jersey Limited the subsidiaries of which comprise the Raska Project in Serbia.

Eastern Mining d.o.o. was registered in Bosnia & Herzegovina on 19 May 2008. Eastern Mining is the main operating entity of the Group and holds the Vares Project concession which comprises the Rupice and Veovaca deposits.

Adriatic Metals Jersey Limited (formerly Tethyan Resource Corp.) and its wholly owned subsidiaries were acquired on 8 October 2020. The acquisition of the remaining share capital of Ras Metals d.o.o. occurred on 22 February 2021.

Adriatic Metals Holdings BIH Limited was incorporated on 1 June 2021 and

acquired the whole share capital of Eastern Mining d.o.o. from Adriatic Metals plc on 30 September 2021 as part of the Group's preparation for entering into the Orion Project Finance package.

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8 October 2020. The acquisition of the remaining share capital of Ras Metals d.o.o. occurred on 22 February 2021.

Adriatic Metals Holdings BIH Limited was incorporated on 1 June 2021 and acquired the whole share capital of Eastern Mining d.o.o. from Adriatic Metals plc on 30 September 2021 as part of the Group's preparation for entering into the Orion Project Finance package. Adriatic Metals Trading & Finance B.V. was incorporated on 14 December 2021 to act as a trading and finance company for the Group and is the borrower under the Orion Project Finance package.

Adriatik Metali d.o.o. was incorporated on 8 April 2021 and is currently dormant as at 31 December 2021.

This structure reflects the liquidation of Kosovo Resource Company LLC and Tethyan Resources Bulgaria EOOD on 28 October 2021 and 22 February 2022 respectively.

VARES PROJECT DEVELOPMENTS

On 19 August 2021, the Company announced the results of the Feasibility Study for the Vares Project in Bosnia & Herzegovina, which had been completed by a number of international consultants and coordinated by Ausenco Pty Ltd (“Ausenco”).

Highlights

<p>Simplified process design de-risks Project execution:</p> <ul style="list-style-type: none"> • Veovaca open pit removed from scope of study • Reduction of concentrate products from four to two; recovery of barite and sulphide (pyrite) concentrates deferred. • Veovaca open pit, barite recovery and sulphide (pyrite) recovery to be considered in a future development phase 	<p>48% of revenues from payable silver and gold</p>	
<p>Completion of Feasibility Study paves the way for Adriatic to be the first publicly listed mining company in Bosnia & Herzegovina</p>	<p>Metallurgical and geo-metallurgical test work ongoing post- Feasibility Study, targeting continuing improvement in recoveries</p>	<p>Concentrate offtake work streams well advanced and progressing in line with the Company’s expectations</p>

Key Metrics Feasibility Study vs 2020 PFS

KEY METRIC	UNIT	FS	2020 PFS
Post-tax NPV (8%) ¹	US\$ million	1,062	1,040
Post-tax Internal Rate of Return ¹	%	134%	113%
Project Payback from First Production ¹	years	0.7	1.2
Initial Capital Costs	US\$ million	168.2	173
Total Mined Tonnes to Plant	Mt	7.3	11.1
Life of Operation	years	10	14
Cash Cost ^{1,2}	US\$/AgEq ounce	7.0	9.5
All-in Sustaining Cost (AISC) ^{1,3}	US\$/AgEq ounce	7.3	9.7
Average Annual AgEq Production Years 1-5	koz/year	14,975	15,302
Underground Mining Costs (mined)	US\$/t mined	24.1	27.6
Underground Mining Costs (milled)	US\$/t milled	30.0	31.9
Processing Costs	US\$/t milled	30.3	31.5
G&A Costs	US\$/t milled	7.7	4.8
Refining & Freight Costs	US\$/t milled	35.7	52.1
Revenue ¹	US\$/t milled	376.9	296.1
Average Annual EBITDA Years 1-5 ¹	US\$ million	281.1	251.0
Profitability Index ¹	(Post-Tax NPV8/CAPEX)	6.3	6.0

1. Silver Price US\$25/oz, Zinc Price US\$3,000/t, Lead Price US\$2,300/t, Copper Price US\$9,500/t, Gold Price US\$1,800/oz, Antimony Price \$2,300/t. Consistent set of commodity prices set for 2020 PFS released in October 2020 used for Feasibility Study.

2. Cash costs are inclusive of mining costs (US\$/t milled), processing costs, site G&A, refining & freight and concession fees (3.90 BAM per mt of Run of Mine)

3. AISC are inclusive of cash costs plus sustaining capital, closure cost, salvage value

OPERATIONAL REVIEW - CONTINUED

The principal considerations at the outset of the Feasibility Study were;

- Optimise the mine plan to maintain consistent high-grade feed for as long as possible
- Take into consideration the prevailing market conditions
- Maximise revenue received from concentrate sales
- Optimise operational efficiency and reduce costs
- Reduce potentially adverse environmental, social, and economic impacts; and
- Minimise Project execution risks

The resulting simplified process design de-risks the Project execution. This has included the removal of the Veovaca open pit from scope of study; the reduction of concentrate products from four to two, with the recovery of barite and sulphide (pyrite) concentrates deferred. The Veovaca open pit, barite recovery and sulphide (pyrite) recovery to be considered in a future development phase.

i) Modified underground mine Plan

The Feasibility Study mine plan is focused on mining the high-grade sections of the Rupice deposit as early as possible and delivering consistent high-grade feed to the Vares Processing Plant for as long as possible. As a result, the mine plan was modified to accommodate new lower (ingress) and upper (egress) declines for optimised access, which also improves operational flexibility and safety.

The Ore Reserve tonnage of Rupice has decreased from 8.4 Mt to 7.3 Mt, while the Ore Reserve grade increased from 463g/t AgEq to 485g/t AgEq. This was due to the application of updated Net Smelter Return cut-offs by ore type determined during geo-metallurgical domaining and metallurgical testwork. The average dilution factor increased from 10% to 13%, taking into account the potential spalling of backfill from adjacent primary stopes when mining secondary stopes.

An additional third decline will be built, replacing the previously considered raisebore, dedicated solely for ventilation. Use of a ventilation decline rather than the vent-raisebore removes the risks associated in the near-surface ground conditions and provides an improved emergency egress. The third decline can also provide additional access for ore-haulage later in the mine life by relocating the ventilation fans.

ii) Removal of Veovaca open pit from the mine plan

The Vares Processing Plant has been designed around the ore from the Rupice Underground Mine, as this is the highest value ore. Processing of ore from the Veovaca open pit, without modifying this process design, is anticipated to produce concentrates with marginal Project economics. Further metallurgical test work and engineering will be undertaken to better understand how a higher value concentrate can be produced. Therefore, it was decided to defer the Veovaca open pit from the Feasibility Study mine plan until further work has been completed.

As the Feasibility Study does not include the mining of the Veovaca open pit, this reduces the tonnage of tailings that will require storage in the TSF by 1.91 Mt over life of mine. Additionally, mining the Veovaca open pit would have also required stripping waste rock to access the ore, which would also require a dump area with a capacity to store 8.64 Mt of waste rock. Total tailings and waste from mining Veovaca would have been 10.6 Mt.

iii) Removal of the barite concentrate circuit

Market research conducted by an independent barite marketing expert concluded that, while the barite concentrate produced by the Vares Processing Plant had a suitable end-market, the current weak demand for and prices of barite and the high shipping rates negatively affected its contribution to the Project. The price for barite is correlated in oil and gas exploration activity, due to its primary use as a drilling mud.

By not recovering the barite concentrate, reduces the Project execution risk by removing 200kt of concentrate movement in the first year of Commercial Production and in excess of 1.1Mt over first 5 years.

iv) Removal of the sulphide (pyrite) concentrate circuit

The sulphide (pyrite) concentrate was developed and introduced as a process to remove sulphide minerals from the barite concentrate to improve the quality of the barite. It was a preceding flotation stage to the barite flotation, and it followed the silver-lead and zinc flotation stages. The sulphide (pyrite) concentrate produced was found to contain reasonable quantities of gold and silver and the marketing team found potential buyers. Further validation of the detailed market during the Feasibility Study, resulted in a lack of confidence in the marketability of the sulphide (pyrite) concentrate. Therefore, the Company took the decision to remove the sulphide (pyrite) concentrate from the Feasibility Study taking into account that the barite was also not going to be included at this time.

v) Optimised comminution design

The process flowsheet was optimised with the introduction of a three-stage crushing plant processing ore for the Vares Processing Plant, as well as waste rock for aggregates for the backfill plant. This eliminated the need for the Semi-autogenous Grinding Mill in the Vares Processing Plant saving US\$1.8 million and further reducing Project execution risk.

Permitting

Veovaca:

Exploitation permit for Veovaca was issued on 25 January 2021.

Development of Main Mining Project commenced in Q1 2021.

Rupice:

Environmental permit received in February 2021.

Urban planning permit submitted in March 2021.

RASKA PROJECT DEVELOPMENTS

On 23 February 2021, the Company completed the acquisition of the remaining 90% of the shares in Ras Metals d.o.o. that the Company did not already hold for € 1,365,000, plus the allotment of 166,000 Ordinary shares of 0.013355p each in the Company. Additional deferred consideration comprises € 500,000 which remains payable on 14 May 2022 and 332,000 Ordinary shares in the Company remain to be allotted to be allotted in two equal tranches on or around, 22 February 2022 and 22 August 2022, having allotted 166,000 of Ordinary shares on 22 August 2021 during the period.

Ras Metals d.o.o. holds the Kizevak and Sastavci exploration licenses relating to the Raska Project.

Exploration has continued at Raska with on average 3 diamond core drilling rigs, drilling on the key prospects of Kizevak and Sastavci, with additional drilling at Rudnica and Karadak. In total over 22,000m of diamond core drilling has been completed for the year. Adriatic plans to continue exploration and resource definition works at Kizevak and Sastavci, as well as focussing on more greenfields and brownfields exploration works on the great Raska Project area.

At the Kizevak prospect, drilling continued, and to date various zones of Ag-Zn-Pb mineralisation have been encountered. This has demonstrated continuity and expansion of the defined historic resources. Drilling at Kizevak has also confirmed the down dip continuity of a high-grade lens in the central-northwest part of the deposit, beneath the limit of the historic drilling, and continues to yield thick zones of polymetallic mineralisation, which remains open.

Drilling at Sastavci has also confirmed near-surface polymetallic mineralisation as well as an anomalous broad gold structure at depth. Further mineralised sub-parallel structures have also been discovered within 100m of the main mineralising trend, which demonstrate potential for scale.

To date, drilling from the base of the historic open pit at Sastavci has delivered wide intercepts of high-grade mineralisation from surface. The results have demonstrated good continuity of polymetallic grades from surface in a much wider zone of mineralisation than historically reported, and also expanded on the extents of the previously known mineralised system.

Other targets across the Raska Project including Rudnica and Karadak in the Southwest of the Raska licence area have been explored during the year with drill and geophysical testing conducted. The Company plans to follow up on the initial results during the 2022 exploration campaign.



FUNDING SECURED FOR VARES PROJECT CONSTRUCTION

FINANCIAL REVIEW

The Group made an operating loss of £9,528,132 for the year ended 31 December 2021 (year) compared with an operating loss of £5,176,158 in the six months ended 31 December 2020 (Prior Period).



Geoff Eyre
Chief Financial Officer and Joint
Company Secretary

The increase in the operating loss in the Period on a pro-rata basis compared to the prior year reflects our expansion into Serbia following the acquisition of Tethyan Resource Corp and the ongoing ramp up in operating capability and capacity as the Group moves closer towards the start of construction of the Vares Project in Bosnia & Herzegovina.

As the Group is in the pre-production phase on both the Vares and Raska Projects, this financial review is focused on expenditure and balance sheet movements during the Year.

INCOME STATEMENT REVIEW

General and administrative expenses

General and administrative costs incurred in the year were £5,427,727 (Prior Period: £2,115,707) increasing due to increased headcount as Vares Project moves towards construction phase as well as current period being 12 months versus 6 month comparative. Share-based payment expenses of £1,434,574 (Prior Period: £2,267,239) due to lower value of share options vesting in the Year compared with the Prior Period.

Wages and salaries in the year were £2,020,765, an increase compared to Prior Period (£616,278) due to increased headcount, average number of employees were 109 in the year (Prior period: 73).

Amortisation in the year of £86,675 increasing compared to Prior Period (£27,017) due to several lease agreements entered into Bosnia & Herzegovina and Serbia.

Professional fees in the year of £921,017 increasing compared to Prior Period (£313,760) due to the financing activity during the year. Stock exchange fees of £174,539 (Prior Period: £136,166) were in aggregate broadly equivalent on a pro-rata basis in the Year compared to the Prior Period.

Exploration costs

The Group incurred £2,880,700 of exploration costs in the year relating to pre-JORC resource stage exploration activities in Serbia (Prior Period: £798,028).

Finance costs

The finance expense in the year was £2,076,846 (Prior Period: £197,039) increasing primarily as a result of a full year of QRC interest expense £1,235,780 (Prior period: £105,515) as well as foreign exchange loss in the year of £801,849 (Prior Period: £103,772) predominately from revaluation of cash holdings in Euro and US Dollar.

Revaluation of fair value liabilities

The Group issued US\$ 20 million 8.5% Convertible bonds to Queens Road Capital on 30 November 2020 which may be converted into equity securities of the Company at the option of the bondholder at any time up until 30 November 2024. The conversion feature of the bonds has been accounted for as a derivative liability. The Black Scholes model was chosen as the most appropriate pricing model to value the company call options, valuation was updated as at 31 December 2021, resulting in a £1,195,251 gain in the year to 31 December 2021 (Prior Period: Nil).

In the Prior Period, following completion of the acquisition of Tethyan in October 2020, the convertible loan facility that had previously been provided by the Company to Tethyan was amended to remove the conversion option resulting in a revaluation of fair value asset gain in the Period of £322,987.

On 23 February 2021, the Company completed the acquisition of the entire issued share capital of Ras Metals d.o.o. making payment of €1,365k to the sellers and issuing the first 166,000 shares. On the 24 August 2021 the second tranche of 166,000 shares were issued in line with the agreement. The remaining deferred consideration was estimated as at the balance sheet date resulting in a £20,834 revaluation gain through profit and loss in the year to 31 December 2021 (Prior Period: Nil)

Cash Flow and Balance Sheet Review

Cash Flow

(In GBP)	Year ended 31 December 2021	Six months ended 31 December 2020
Net cash used in operating activities	(7,537,225)	(2,307,208)
Net cash used in investing activities	(10,119,598)	(3,552,249)
Net cash inflows from financing activities	71,335,056	25,817,089
Net increase in cash and cash equivalents	53,698,233	19,957,632

Net cash used in operating activities during the year was £7,537,255 compared to £2,307,208 in the Prior Period.

Investing activities included cash outflows for the purchase of property plant and equipment during the year of £7,264,352 (Prior Period: £90,684) reflecting the significant ramp up in activities following completion of the Feasibility Study for the Vares Project.

Net cash inflows from financing activities increased substantially in the year with £74,442,048 inflow from issue of share capital with transaction costs of £3,277,759 incurred following the completion of an equity placement as part of Project finance package, total equity issued US\$102 million, which included a US\$50 million subscription from Orion Resource Partners. The Prior Period included £12,317,964 of proceeds from the issue of shares following the completion of an equity private placement with the European Bank for Reconstruction and Development at a price of £1.175 per share generating gross proceeds of £6.2 million and the receipt of A\$8,649,360 from Sandfire Resources (ASX:SFR) as part of the settlement agreement reached between Sandfire and the Company which has been announced on 3 November 2020. Proceeds from the exercise of options and performance rights in the year also increased to £1,138,151 compared to £1,261,913 in the Prior Period.

Financing activity cash flows in the Prior Period also include the issue of US\$20 million in convertible debentures to Queens Road Capital with an 8.5% coupon in December 2020.

The equity financing and project finance facility secured during the year provide the Company with sufficient financial resources to commence commercial production at the Vares Project in Q2 2023 and undertake extensive exploration activities in both Bosnia & Herzegovina and Serbia during 2022.

FINANCIAL REVIEW - CONTINUED

Cash Flow and Balance Sheet Review - Continued

Working capital

(In GBP)	At 31 December 2021	At 31 December 2020	Change
Other receivables and prepayments	1,640,650	654,514	986,136
Accounts payable and accrued liabilities	(3,192,638)	(1,900,436)	(1,292,202)
Cash and cash equivalents	83,170,040	29,580,538	53,589,502
Working capital	81,618,052	28,334,616	78,783,436

The Groups working capital position at 31 December 2021 was (£1,841,088), a decrease of £595,166 compared to 31 December 2020, primarily as a result of accrued liabilities in respect of 2021 STIP payments and the debt financing completed shortly after 31 December 2021.

Net cash position

(In GBP)	At 31 December 2021	At 31 December 2020	Change
Cash and cash equivalents	83,170,040	29,580,538	53,589,502
Short-term borrowings	-	(105,515)	(105,515)
Long-term borrowings (including embedded derivative liability)	(13,730,790)	(14,635,385)	(904,595)
Net cash position	69,439,250	14,839,638	54,599,612

The cash balance at 31 December 2021 was £83,170,040, an increase of £53,589,502 compared to 31 December 2020.

Combined short term and long-term borrowings at 31 December 2021 totaled £13,730,790 (31 December 2020: £14,635,385) which relates to the issue of US\$20 million in convertible debentures to Queens Road Capital in December 2020.

The net cash position (cash and equivalents minus long and short-term borrowings) at 31 December 2021 was £69,439,250, an increase of £54,599,612 compared to 31 December 2020, primarily as a result of cash inflows from financing activities as noted in the cash flow commentary.

Capital expenditure

(In GBP)	At 31 December 2021	At 31 December 2020	Change
Exploration and evaluation assets	24,456,506	36,479,724	(12,023,218)
Property, plant and equipment	22,079,729	969,464	21,110,265
Total non-current assets (excluding right of use assets)	46,536,235	37,449,188	9,087,047

Exploration and evaluation asset recognised in respect of the Vares Project were transferred to Mine under Construction at the completion of the Feasibility Study during August 2021. Total non-current assets (excluding right of use assets) increased to £46,536,235 at 31 December 2021 (31 December 2020: £37,449,188) primarily due to preparatory works to commence the construction stage of the Vares Project.

VARES PROJECT FUNDING DEVELOPMENTS

The Company secured US\$244.5 million project finance package which provides the Group with sufficient funding through to the production of the Vares Project. The package consists of:

- US\$142.5 million project finance debt package from Orion Resource Partners, comprising US\$120 million in senior secured debt, and a US\$22.5 million copper stream; and,
- An equity raise of US\$102 million, which included a US\$50 million subscription from Orion Resource Partners, and issuing 49.4 million new ordinary shares in total

The Company had a cash balance at 31 December 2021 of US\$112 million (£83.2 million) and, subject to satisfaction of customary conditions precedent to financial close, an undrawn debt facility of US\$142.5 million.

Geoff Eyre

Chief Financial Officer and Joint Company Secretary



The strategic report of Adriatic Metals PLC on the preceding pages was approved and authorised for publication by the Board of Directors on 29 March 2021 and was signed on its behalf by:

Michael Rawlinson
Chairman of the Board

STRONG CORPORATE GOVERNANCE PRACTICES

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE – QCA DISCLOSURE STATEMENT

The Board believes in the value of good corporate governance in improving performance and mitigating risk and acknowledges its duty to take account in its decision-making of all of the stakeholders in Adriatic, and not just the shareholders.

As a company with a standard listing on the London Stock Exchange, Adriatic is able to choose which governance code to follow. The Board has decided to apply the Quoted Company Alliance's (QCA) Corporate Governance Code (QCA Code) (revised in April 2018).

The Code is based on 10 principles and a set of supporting disclosures. It sets out what the QCA considers to be appropriate arrangements for growing companies and asks companies, by means of the prescribed disclosures, to explain how they are meeting those principles through the prescribed disclosures. We have considered how we apply each principle and a full description of our compliance with the QCA code can be found on our website:

<https://www.adriaticmetals.com/corporate-governance/>

The Chairman has overall responsibility for implementing an appropriate corporate governance regime at the Company.

The Board is committed to ensuring the sustainability of its development strategy and to delivering on its commitments to shareholders, clients, employees, partners and other stakeholders with sustainability in mind.

We believe that transparency and fair dealing, particularly in relation to environmental and community issues, are essential to the Company's ultimate success. At all times Adriatic will aim to:

- Minimise its environmental impact,
- Meet legal and other requirements applicable to it,
- Foster positive relationships in the local community,
- Protect the health and wellbeing of employees and encourage positive relationships in the workplace, and
- Ensure the sustainability of the business for shareholders and other stakeholders.

The Board firmly believes that a corporate culture based on sustainability and ethical values and behaviour is in the best interests of the shareholders. The Company maintains a Code of Conduct which underpins its commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders. The document sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standard of behaviour expected from employees.

The Code of Conduct is included in the Corporate Governance Manual on the Company's website.

a) Board Composition

As at 31 December 2021, the Board comprised a Non-Executive Chairman, a Managing Director and Chief Executive Officer, and four other independent Non- Executive Directors (NEDs). As part of its annual performance evaluation process the Board, in conjunction with the Remuneration and Nominations Committee, keeps its structure under review in order to maintain an appropriate balance of executive and Non-Executive experience and skills.

The Board considers the following NEDs who served during the period to have been independent: Peter

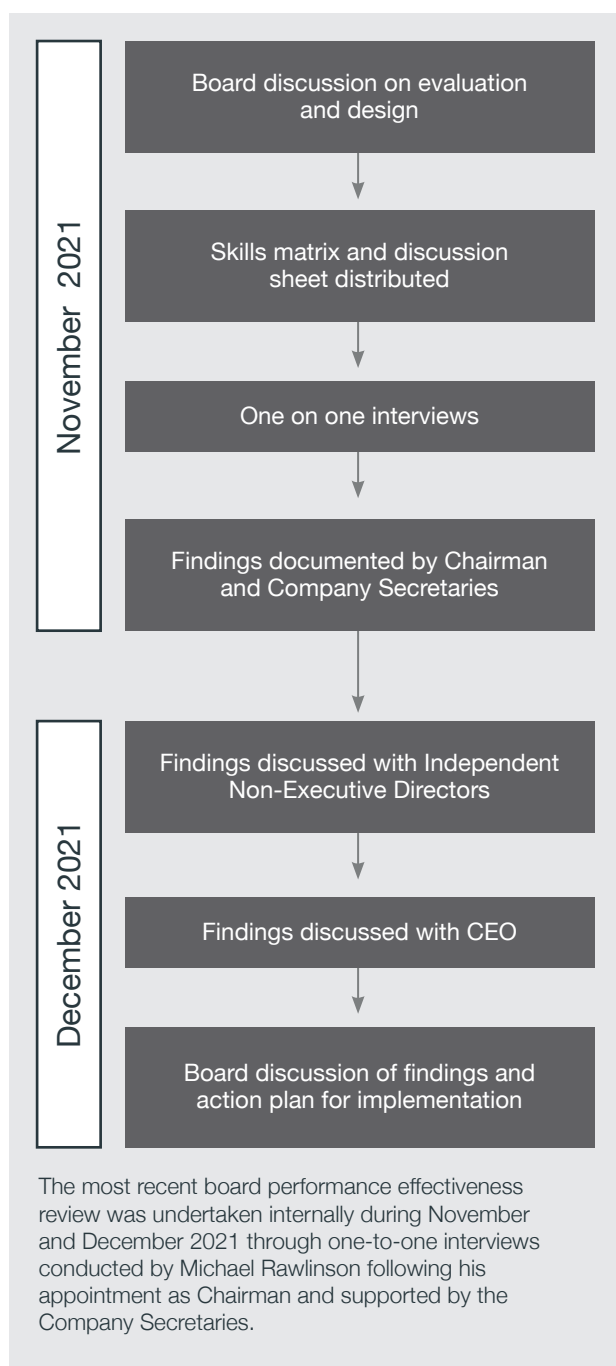
Bilbe, Julian Barnes, Sandra Bates, Michael Rawlinson and Sanela Karic. None of these Directors is or has been an employee, had a significant business relationship or close family ties with related parties, or represented significant shareholders, although they all hold non-performance related options to acquire ordinary shares in the Company.

The QCA Code recommends that, in the interests of maintaining their independence, NEDs should not normally participate in performance-related remuneration schemes or have a significant interest in a company share

option scheme; any performance-related remuneration for NEDs should be proportionate, and shareholders must be consulted and their support obtained. However, in Adriatic's case the options granted to the NEDs have no performance conditions and vested fully on the date of grant, and it is not considered that they compromise the NEDs' independence.

The Board has not yet considered it appropriate to nominate a Senior Independent Director but will keep this under review.

b) Board Performance Effectiveness Review



The interviews were structured to seek the Directors' views on a number of subject areas including those outlined below.

- The overall composition of the Board was considered, taking into account the balance of skills represented by board members relative to the current and future requirements of the Company together with gender diversity.
- The workings of the board and interpersonal dynamics
- Focus on leadership and corporate culture. Including succession planning.
- A review of strategic oversight and direction
- Discussion on the provision of information – focus, relevance and quantity
- Views on governance and the composition and the workings of the main Board Committees was evaluated.

Discussion around risk management including evaluation and reporting.

CORPORATE GOVERNANCE REPORT - CONTINUED

As part of the board's performance evaluation and within the remit of the Nominations Committee, the Adriatic Board undertook a skills self-assessment matrix review. The skills categories chosen were all discussed and noted would be required as Adriatic moves from its development phase into a construction phase and ultimately production/steady state. The outcome of the self-assessment was as follows:

Adriatic Board Skills Matrix Self Assessment Dec-21



2021 Board Performance Effectiveness Review Findings

The findings of the Chairman's Board performance effectiveness review were collated and considered between the Non-Executive Directors before being relayed to the CEO. The resulting recommendations were discussed and, where appropriate, approved by the Board.

The principal observations and recommendations arising from the 2021 Board Performance Effectiveness review process were as follows:

Overview

- During 2021 Adriatic has achieved all of its major milestones, including permitting, the Vares Project Feasibility Study, the ESIA, people hires, culture setting and funding. This is a tremendous achievement in this most difficult of times under COVID-19.
- There is a strong basis of trust between the board and the management team with good underlying transparency.
- There is high confidence in the management team. The Board have been impressed in the quality of the new hires and team build out.
- There is strong evidence of setting and promoting a sound and ethical corporate culture across the Company.
- The nature of the risks facing the Company will change as we continue to transition to being a developer and producer which will require greater focus for the board and management.

Value and role of the Board

There is a sense that the effectiveness of the board has been hampered during the year because of COVID-19 and the associated lack of face-to-face meetings for board and management and site visits by NEDs.

Board members are broadly happy with the size of the board and the skills it has. The annual skills matrix was undertaken and the feeling is that we the Board has the right number of directors with the appropriate skills.

There is a strong sense from management that the Board exercises its oversight obligations seriously and is available for input as necessary. However, it is felt that the Board could be more effective in mentoring, bringing unsolicited advice and fostering the embedding of corporate culture with periodic physical presence in Bosnia & Herzegovina and Serbia.

Recommendations:

- Travel restrictions notwithstanding NEDs to try to get to site in early 2022 and with more frequency thereafter.

Focus on major challenges

There was a strong sense that the board was spending the appropriate time and focus on the things that mattered and general confidence that we are changing our focus appropriately. However, with the Committee specialization certain board members felt 'out of the loop' on evolving areas of risk.

Recommendations:

- Committee Chairs to explicitly report to the Board on salient points from sub-committee meetings.

Strategic insight

The Board supportive of a multi-mine strategy but it is one which needs regularly revisiting as we become a producer to define commodity, geographic focus and Project scope. The Board aims to provide more input to management during 2022 around potential opportunities.

Recommendations:

- Management to host a strategy session in Q1 2022 covering strategic focus with business development team and advisors.

Insight into the business and information flows

The members of the Board feel we have the right level of cadence with Board meetings. Monthly meetings are essential at the moment as the Company goes through the development phase at the Vares Project.

Quarterly meetings are to have a more fulsome agenda and at least two in person Board meetings should take place at site each year.

The information in the Board papers is seen as high quality and detailed. However, summarised bullet point executive summaries from Department Heads covering key areas of focus and concern would help direct the Board focus during Board meetings.

Risk discussion

The Board recognises it needs to keep on top of key risks and that the nature and scope of risks are evolving fast as we ramp up development. The Board is appreciative of the work by management in maintaining the risk register and this needs to be maintained to ensure it is a live document for consideration on a quarterly basis highlighting how the risks have changed. Recent changes in local geopolitics and the transition to developer are changing our overall risk profile and the nature of the key risks we face significantly.

Culture and behaviours

Culture and values have been a very clear focus of management during the year. It was felt that the CEO had done a super job uniting the culture in the Company and leading employees to define and own their vision for a sustainable Company. Investment in a values workshop during the year, signage and ongoing training were seen as significant and impactful. A real sense of pride and belonging by employees locally was noted.

The Board agreed it is something we need to stay on top of and can be monitored in management reporting including the employee survey that was undertaken in December 2021. The NEDs can also do more to promote our values and culture by, for example, undertaking more frequent visits to site.

Consideration was given to how the Company can ensure our cultural and values are adopted by our contractors and suppliers. Failures on this front represent a material risk for the Company and are a key area of focus for 2022.

People

The Directors recognise that the scaling up of the workforce has been a real challenge this year. That said the new systems and processes around hiring, job roles and remuneration have been formalised over the course of the year which is a real achievement.

It was felt that more could be done to map out key hire requirements and succession planning that was initially undertaken by the Remuneration & Nominations Committee at the beginning of the year.

Board dynamics

The Directors are happy with how Board is running but recognise the need to summarize initiatives and issues raised at the committees to the wider board.

The Directors desire to meet corporate governance best practice and ensure the Company holds two NED-only meetings each year.

CORPORATE GOVERNANCE REPORT - CONTINUED

c) Board Terms of Reference and Powers (see Board Charter in Schedule 1 to Corporate Governance Manual on the Company web site)

The Board derives its authority from the shareholders under the Company's Articles of Association. Its main duty is to drive the strategic direction of the Company while ensuring that appropriate resources are available to meet objectives and monitor management's performance. Members of the Board have collective responsibility for the performance of the Company and must ensure that all decisions are taken in the interests of the Company as a whole, taking into account the interests of the various stakeholder groups.

Whilst the Board has delegated the normal operational management of the Company to the Managing Director & CEO and other senior management, it has reserved to itself specific matters including:

- Approving the Company's remuneration framework.
- Reviewing and ratifying systems of audit, risk management and internal compliance and control, codes of conduct and legal compliance.
- Approving and monitoring the progress of major capital expenditure.
- Approving and monitoring the budget; and
- Approving the annual and interim accounts.

The Board Charter requires that, where practical, the majority of Board members should be independent Non-Executives. An independent Director is a director who in the Board's opinion is free of any interest, position, association or relationship that might (or might be perceived to) influence materially his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its shareholders generally.

d) Director Commitments (also see Remuneration & Nominations Committee Report)

The services of the Managing Director & Chief Executive Officer, Paul Cronin, are supplied under a contract with Adriatic. He is not required to provide these services on an exclusive basis, although any services provided to third parties must avoid conflicts of interest or any interference with his obligation to provide services to the Company.

Mr. Cronin has a separate agreement with Eastern Mining d.o.o. (an operating subsidiary of Adriatic) in respect of his role as Director of that company.

All Non-Executive Directors acknowledge in their letter of appointment that the nature of the role makes it impossible to be specific on maximum time commitment and that at certain times of increased activity, the preparation for and attendance at meetings will increase. All Directors are expected to attend all Board meetings (either in person or by telephone), the AGM, one annual Board strategy meeting a year, committee meetings where appropriate, meetings with the Non-Executive Directors, meetings with shareholders, any meetings forming part of the Board evaluation process, and training meetings.

e) Board Meetings

The Board meets formally once per month, with additional meetings held as required to review the corporate and operational performance of the Group and address any other issues that need to be dealt with before the next scheduled meeting.

In order to save time and travel expenses as the Directors are based all over the world, most meetings are held by conference call. Due to the ongoing COVID-19 restrictions, the entire Board did not meet physically during the period, though efforts were made for those able to travel to congregate together for meetings where productive to do so.

The agendas of the Board and its Committees ensure that all areas for which the Board has responsibility are addressed and reviewed during the course of the period.

The Chairman is responsible, with the help of the Company Secretaries, for ensuring that the Directors receive Board briefing that are accurate, comprehensive and timely enough to allow them to make proper use of it in the fulfilment of their duties. The Company Secretaries assemble the Board and Committee papers and circulate them to the Directors well in advance of the relevant meeting. The Company Secretaries also take minutes of each meeting.

A summary of attendance at Board meetings in the year ended 31 December 2021 is set out below:

Director	Independent	Maximum possible attendance	Actual attendance
Michael Rawlinson	Yes	12	12
Peter Bilbe	Yes	12	12
Paul Cronin	No	12	12
Julian Barnes	Yes	12	12
Sandra Bates	Yes	12	12
Sanela Karic	Yes	12	12
John Richards	No	-	-

Supplementary meeting was held during August 2021 attended by all six Board members to approve the Feasibility Study prior to release.

Supplementary meetings were held during October 2021 during the Capital raise process, which included the following Board members as set out below:

Director	Independent	Actual attendance
Michael Rawlinson	Yes	4
Paul Cronin	No	2
Sandra Bates	Yes	4

f) Board Committees

The Board has delegated specific responsibilities to the Audit & Risk, Environmental, Social & Governance and Remuneration & Nominations Committees, details of which are set out below. Each Committee has written terms of reference setting out its duties, authority and reporting responsibilities. It is intended that these will be kept under continuous review to ensure they remain appropriate and reflect any changes in legislation, regulation or best practice.

There is currently no internal audit function, given Adriatic's modest size, although the Audit & Risk Committee keeps this under annual review.

The Board considers that, at this stage in Adriatic's development, it is appropriate for the members of the Remuneration & Nominations Committee to be also the members of the Nomination Committee, and for the meetings of the two bodies to be held together. However, the separate terms of reference of the two Committees will be respected. This decision will be kept under review by the Board.

g) Audit & Risk Committee

The Audit & Risk Committee's overall goal is to ensure that the Company adopts and follows a policy of proper and timely disclosure of material financial information and reviews all material matters affecting the risks and financial position of the Company. The Committee meets the Company's external Auditor and its senior financial management to review the annual and interim Financial Statements of the Company, oversees the Company's accounting and financial reporting processes, the Company's internal accounting controls and the resolution of issues identified by the Company's Auditors. Periodic corporate reports released to the market that are not audited by an external auditor are also reviewed and authorised for release in advance by the Audit & Risk Committee. It also advises the Board on the appointment of the Auditor, reviews its fees and discusses the nature, scope and results of the audit with the Auditor.

The Audit & Risk Committee was chaired during the year by Sandra Bates. The other members of the Committee were Michael Rawlinson and Julian Barnes. At the date of the Annual Report the composition of the Audit & Risk Committee was Sandra Bates (Chair), Michael Rawlinson and Julian Barnes. In accordance with the Committee Charter, all of its members have been Non-Executive and a majority of them independent throughout the period.

The Committee has unrestricted access to the Group's Auditor. The CFO and other executives are invited to attend Committee meetings, as necessary. The Committee meets at least twice a year and met twice during the Period with all committee members attending each meeting.

The Audit & Risk Committee Report contains more detailed information on the Committee's deliberations during the year.

CORPORATE GOVERNANCE REPORT - CONTINUED

Committee attendance during the year:

Director	Independent	Maximum possible attendance	Actual attendance
Sandra Bates (Chair)	Yes	5	5
Michael Rawlinson	Yes	5	5
Julian Barnes	Yes	5	5

h) Environmental, Social & Governance (ESG) Committee

The role of the Environmental, Social & Governance Committee is to assist the Board in fulfilling its oversight responsibilities, by reviewing and monitoring any matters relating to the management of workforce, community or environmental impacts (in accordance with the policy set out in Annexure A), the management of stakeholder relationships, and the oversight of permitting and relevant regulatory risks. The Committee also seeks to identify opportunities to strengthen the Company's license to operate and to strengthen the sustainability and resilience of the

communities and regions where Adriatic companies operate. It will also provide scrutiny of and guidance to executive management on these issues.

During the Period and at the date of the Annual Report the composition of the Environmental, Social & Governance Committee was Sanela Karic (Chair), Michael Rawlinson and Peter Bilbe. In accordance with the Committee Charter, all of its members are Non-Executives and independent throughout the Period. The Committee met six times during the Period with all Committee members attending each meeting.

Dominic Roberts, Head of Corporate Affairs and executive lead for ESG compliance acts as the Committee's secretary. Critical Resources, the Company's ESG consultants continued to provide direct support to the Committee members during the year, but are anticipated to standdown during 2022.

The ESG Committee Report contains more detailed information on the Committee's deliberations during the year.

Committee attendance during the year:

Director	Independent	Maximum possible attendance	Actual attendance
Sanela Karic (Chair)	Yes	6	6
Michael Rawlinson	Yes	6	6
Peter Bilbe	Yes	6	6

i) Remuneration & Nominations Committee

The Remuneration & Nominations Committee, which comprises three independent directors, assists the Board in monitoring and reviewing any matters of significance affecting the composition of the Board and the Executive Team including:

- maintaining a Board that has an appropriate mix of skills and experience to be an effective decision-making body; and
- ensuring that the Board is composed of Directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance.

The Remuneration & Nominations Committee also assumes general responsibility for assisting the Board in respect of remuneration policies for the Company and to review and

recommend remuneration strategies for the Company and proposals relating to compensation for the Company's Directors and employees. The Committee reviews the performance of the Executive Directors and other senior management and makes recommendations to the Board on matters relating to their remuneration and terms of employment. It has the responsibility for, inter alia, administering share and cash incentive plans and programmes for Directors and other senior management for approving (or making recommendations to the Board on) share and cash awards for Directors and other senior management.

The Remuneration & Nominations Committee is chaired by Peter Bilbe, and its other members during the year and at the date of the Annual Report were Julian Barnes and Sandra Bates.

The Remuneration & Nominations Committee Report contains more detailed information on the Committee's role and the Directors' remuneration and fees.

Committee attendance during the year:

Director	Independent	Maximum possible attendance	Actual attendance
Peter Bilbe (Chair)	Yes	2	2
Julian Barnes	Yes	2	2
Sandra Bates	Yes	2	2

j) The Board as a whole

The skills and experience of the members of the Board are set out in their biographical details below. The experience and knowledge of each of the Directors enables them to challenge management and scrutinise performance in a constructive way. The Board believes it has achieved a good balance of experience in financial and operational matters. Board members have diverse national, cultural and career backgrounds, and gender diversity.

The Board does not consider that any of the Directors is in danger of “over-boarding” by holding too many directorships at other listed companies to be able to devote sufficient time to Adriatic’s business, and Directors are required to consult the Board before accepting any new appointment that might cause a conflict of interests or prevent them from discharging their responsibilities to Adriatic effectively.

New Directors receive a formal induction to the Company including a briefing discussion with existing Directors and a site visit to the Project as soon as practicable. Directors are also provided with a memo on the continuing obligations of a company admitted to the London Stock Exchange (Standard Segment), a copy of the QCA Code and the ASX Governance, Principles and Recommendations Guide from the Company Secretaries. Directors also have full access to the Company’s management and advisors.

k) List of Directors



Michael Rawlinson, Non-Executive Director

Mr Rawlinson was the Global Co-Head of Mining and Metals at Barclays investment bank between 2013 and 2017 having joined from the boutique investment bank, Liberum Capital, a business he helped found in 2007. He is currently a Senior Independent Non-Executive Director at Hochschild Mining, an Independent Non-Executive Director at Capital Limited and an Independent Non-Executive Director at AfriTin Mining Limited.



Peter Bilbe, Non-Executive Director

Mr. Bilbe is a mining engineer with over 40 years Australian and international mining experience in gold, base metals and iron ore in operational, CEO and board positions. He is currently a Non-Executive Director of Horizon Minerals Ltd, an emerging gold producer and until November 2021 was Chair/Non-Executive Director of IGO Ltd, an ASX100 company.



Paul Cronin, Managing Director and Chief Executive Officer

Mr Cronin is a co-founder and Director of Adriatic and is Executive Director of ASX listed Black Dragon Gold Corp and a Non-Executive Director of ASX Listed Taruga Minerals Limited. Mr Cronin has over 20 years of experience in corporate finance, investment banking, funds management, and commodity trading, with a strong European mining focus.

Notwithstanding Mr. Cronin’s additional commitments, the Board is of the opinion that Mr. Cronin is not “over-boarded” and is able to adequately perform his role with the Company.



Julian Barnes, Non-Executive Director

Dr. Barnes is a geologist with extensive experience in major exploration and development Projects. Previously, he was Executive Vice President Dundee Precious Metals with a strong focus on Balkan mining and development. Dr. Barnes founded and led Resource Service Group for nearly two decades, which ultimately became RSG Global and has since been sold to Coffey Mining. His is also Non-Executive Director of Zinc of Ireland N.L. and Thor Explorations Limited.



Sandra Bates, Non-Executive Director

Ms Bates is a commercial and strategic international lawyer with over 20 years’ experience advising management teams and boards of both listed and private companies in the UK and internationally. She is a risk assessment specialist and brings extensive experience of guiding clients in the natural resources sector through complex negotiations often with a cross-cultural element. Ms Bates is a partner at Keystone Law, the London based law firm, a member of Women in Mining UK and was previously a Non-Executive Director of LSE listed Pensana plc.



Sanela Karic, Non-Executive Director

Ms Karic, a Bosnian national, has over 15 years’ experience as a lawyer and a career spanning corporate affairs, mergers and acquisitions and human resources. She is a graduate of the University of Sarajevo and is currently the Executive Director for Legal Affairs and Human Resources at the Prevent Group, Bosnia & Herzegovina’s largest diversified industrial corporation.



CORPORATE GOVERNANCE REPORT - CONTINUED

l) Board Advice During the Period

Critical Resource, as subsidiary of the ERM Group were engaged during the year to support the work of the recently formed ESG Committee. H2Glenfurn were engaged to advise the Remuneration Committee on its remuneration policy.

m) Internal Advisory Roles

i) Company Secretary

The joint Company Secretaries during the Period were Gabriel Chiappini (Australia) and Geoff Eyre (UK), the latter of whom combined the role with that of CFO. The Company Secretaries are responsible for advising the Board on the Company's legal and regulatory compliance, including (for the UK) the Market Abuse Regulation, and play a central role in ensuring good governance. They assist the Chairman in preparing for and running effective Board and shareholder meetings and act as the first point of contact for the NEDs on the workings of the Company, providing information and advice, and also general guidance on their duties as Directors. The Company Secretaries report directly to the Chairman on governance matters.

ii) Annual Board Appraisal

In accordance with current best practice and the Code, the Board undertakes an annual formal evaluation of its performance and effectiveness and that of each Director and the Committees. In line with the QCA Code Principles, the evaluation will be based on clear and relevant objectives, seeking continuous improvement. A summary of the findings from the 2021 Board evaluation are set out in section b above.



n) Ongoing Board Development

The Company Secretaries ensure that all Directors are kept informed of developments in relevant legislation, regulations and best practice, with the assistance of the Company's advisers where appropriate.

Non-Executive Directors are encouraged to raise any personal development or training needs with the Chairman or through the Board evaluation process. In 2021, Sanela Karic attended a Non-Executive Director training course at the University of Reading.

i) Succession Planning

The Board has an emergency succession plan for the senior management team. Succession planning is considered as part of the Remuneration and Nominations Committee's remit and Board members maintain a watching brief to identify relevant internal and external candidates who may be suitable additions to or backup for current Board members.

EFFECTIVE OVERSIGHT OF RISKS AND FINANCIAL REPORTING

AUDIT & RISK COMMITTEE REPORT



Sandra Bates
Chair of the Audit & Risk Committee

I am pleased to present this report on the activities of the Audit & Risk Committee “the Committee” for the 12 months ended 31 December 2021.

This report is prepared in accordance with the Quoted Companies Alliance (QCA) corporate governance code for small and mid-sized quoted companies, revised in April 2018. A summary of the Committee’s role and membership can be found in the Governance section of this Annual Report.

Committee meetings are held at least twice a year, and the CFO is invited to attend together with the external Auditor. During the 2021, five meetings of the Committee were held during the year, and the following significant issues were considered:

Significant issue	Summary of Significant Issue	Actions and Conclusion
Going Concern	<p>Assessment of the Groups’ ability to continue as a going concern as part of the preparation of the financial statements. This includes considering whether the Group has adequate resources to continue in operation for the foreseeable future from the date of anticipated signing of the financial statements.</p> <p>The assessment of going concern covers a period of at least 12 months from the date of signing the financial statements.</p>	<p>FS completed with Project NPV of US\$1,062 million and build cost of US\$168.2 million</p> <p>Equity raise successfully closed on 29th October and Orion debt documents were executed with the aim of providing the Group with sufficient funds to complete the Vares mine construction and ongoing owner costs until production commences in Q2 FY23 and the business becomes self-sustaining from cash flows from operations.</p> <p>Definitive documentation executed for the US\$142.5 million Project Finance Debt Package with Orion announced on 10 January 2021.</p> <p>Refreshed budget show that substantial headroom remains based on assumption debt documents are agreed in line with term sheet on 12 month view as funding in place to cover the approx. 18 month build.</p> <p>Analysis regarding sensitivities have been considered simultaneously as slippage delay to commencement of production up to 10% increase in build costs.</p> <p>The Directors therefore considered the going concern to be appropriate.</p>

Significant issue	Summary of Significant Issue	Actions and Conclusion
Property plant and equipment carrying value	<p>The Group's total property plant and equipment, including mine under construction of £22,079,729 (31 December 2020: £969,464) are material to the Group's balance sheet.</p> <p>Property, plant and equipment and intangible assets with finite lives are reviewed for impairment if there is an indication that the carrying amount may not be recoverable.</p>	<p>The value in use of an asset is the expected future cash flows that the asset in its current condition will produce, discounted to present value using an appropriate discount rate.</p> <p>The sensitivity of the Vares Project to key project inputs is considered within the Feasibility Study. Post-Tax NPV 8% US\$ 1062 million (GBP 785 million) was assessed.</p> <p>Analysis of sensitivities such as changes to metals price, operating costs, initial capital cost and head grade, shows that significant headroom exists over carrying value of Vares Tangible assets (£22,059,745).</p> <p>The carrying value of Property, plant and equipment appears to be supported.</p>
QRC Convertible loan	<p>The accounting and disclosure of the convertible loan note payable of £11,880,828 (31 December 2020: £11,590,172) and its embedded derivative liability value £1,849,962 (31 December 2020: £3,045,213) is a complex area because the embedded derivate liability should be accounted for at fair value per IFRS 9.</p>	<p>Management engaged the services of independent valuation experts to assist in determining the appropriate fair value of the loan from QRC including the fair value of derivative liability which was revalued as at 31 December 2021.</p>
Adriatic Foundation Assessment of Control	<p>The Adriatic Foundation (the "Foundation") is a not-for-profit trust which was created in Bosnia & Herzegovina with the objective of supporting the communities around the Vares Project. Adriatic Metals PLC provided the initial funding required for the formation of the Foundation.</p> <p>Consideration needs to be made as whether the Group controls this entity and if so, at what point did this control pass to the group.</p>	<p>With reference to IFRS 10 an assessment of control has been performed to determine whether the company controls the Adriatic Foundation.</p> <p>The conclusion of this assessment is that whilst the company has power over the Foundation, it does not have the ability to use its power to affect the company returns. The Foundation statute prevents neither the Company as the founder, nor any other person associated with the Foundation to directly or indirectly derive profit or any other material or financial benefit realized through the purposes and activities of the Foundation. The Directors have therefore concluded that the Company does not control the Foundation and as a result the Foundation is not included in the consolidated financial statements of the Group.</p> <p>The Company has the ability to appoint the Board of Trustees of the Foundation and hence transactions between the Company and the Foundation have been classified as related party on the basis of the company yielding significant influence.</p>
Vares Project Financing – Equity Raise	<p>In addition to the Orion Debt Financing, the Company conducted an equity raise of up to approximately US\$102.0 million (the "Equity Fundraise"), consisting of:</p> <ul style="list-style-type: none"> a conditional placing to raise gross proceeds of up to approximately US\$52.0 million (the "Placing") a conditional equity subscription for US\$50.0 million by Orion (the "Orion Equity Subscription"). <p>The Placing and Orion Equity subscription were completed during the year ended 31 December 2021.</p> <p>These accounting and disclosure of the Equity raise is considered to be a complex area.</p>	<p>Management undertook specific review procedures to ensure that all direct costs relating to the Placing and Orion Equity Subscription were appropriately charged to the share premium account.</p>

AUDIT & RISK COMMITTEE REPORT - CONTINUED

Significant issue	Summary of Significant Issue	Actions and Conclusion
Functional Currency	<p>Following securing the US\$244.5 million Project finance package which provides the Group with sufficient funding through to the production of the flagship Vares Project. The package included US\$142.5 million Project Finance Debt Package from Orion Resource Partners, comprising US\$120.0 million of senior secured debt, and a US\$22.5 million copper stream both denominated in USD.</p> <p>Functional currency of each legal entity needs to be assessed on an ongoing basis to determine whether its base currency remains appropriate.</p>	<p>Management undertook a review on an entity-by-entity basis to determine the impact of the anticipated debt financing as well as commencement of the construction phase of the Vares Project.</p> <p>No trigger for functional currency change has occurred in the year to 31 December 2021.</p> <p>Consideration by the audit committee will be given in the subsequent financial year given Orion debt documentation was finalised on 11 January 2022 as disclosed in subsequent events note in Group Financials.</p>
Share Based Payments	<p>Share based payments expense is stated at fair value at the time of grant using the Black-Scholes Option Pricing Model.</p> <p>Calculation requires a number of inputs, as detailed in Note 15f including Risk-free interest rate, expected volatility, expected life, fair value per option.</p>	<p>Management used inputs from impartial external sources in order to appropriately calculate share based payments reserve postings and share based payments expense during the year.</p>
Serbia Business Carrying Value	<p>With over 12 months having passed since the acquisition of the Tethyan Resource Corp group, it was considered whether there were any indicators of impairment and whether the carrying value of the Raska Project £24.4m arising on acquisition remained appropriate.</p> <p>Management are required to assess whether there are any indicators that an asset may be impaired in accordance with IFRS 6 at the end of each reporting period. If any such indicators are identified a full impairment test in line with the requirements of IAS 36 is necessary.</p>	<p>Management prepared an assessment of impairment indicators and considered whether there are any of the indicators of impairment in line with criteria set out under IFRS 6. The impairment assessment did not highlight any impairment indicators and as such an IAS 36 impairment assessment was not required.</p> <p>Further expansion of drilling program is budgeted for 2022 and the Group aims to produce an internal scoping study.</p> <p>For further assurance over the value of exploration and evaluation assets capitalised, management obtained a resource estimate from Forge International estimate, an independent third-party organisation. This comprised an additional stage of preliminary Resource modelling, this time using both the historical and modern data sets.</p> <p>The results of which were compared to the market capitalisation of comparative listed single asset projects in which the Raska Project valuation did not appear unreasonable compared similar projects.</p>

External Auditor's Fees

There was no significant non-audit work carried out by BDO subsequent to their appointment. Full details of fees paid during the year may be found in note 18 to the Consolidated Financial Statements.

Objectivity and Independence

The Committee continues to monitor the Auditor's objectivity and independence and is satisfied that BDO and the Company have appropriate policies and procedures in place to ensure that these requirements are not compromised.

Re-appointment of External Auditor

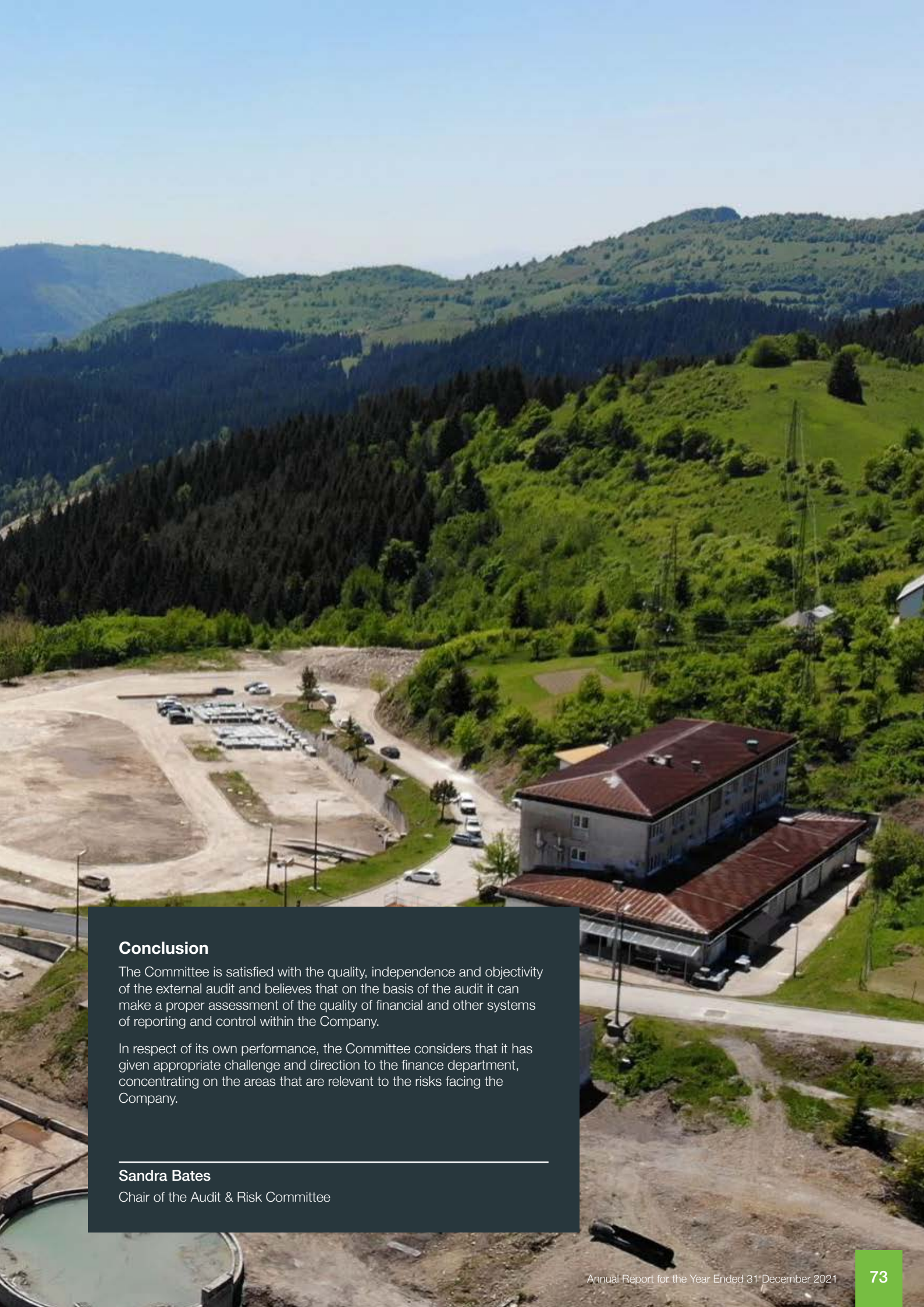
The Committee recommends to the Board the re-appointment of BDO as Auditor at the forthcoming 2021 annual general meeting (AGM), and BDO has expressed its willingness to continue in office.

Internal Auditor

The requirement for the appointment of an internal auditor is continually assessed by the Committee; the level of spending and complexity of the operations being taken into account when considering this decision. To date, the Committee has decided that an internal audit function is not required but will continue to assess the situation on a regular basis.

Going Concern

The Directors considered it appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements. The going concern statement is detailed in full in note 2c of the Consolidated Financial Statements.



Conclusion

The Committee is satisfied with the quality, independence and objectivity of the external audit and believes that on the basis of the audit it can make a proper assessment of the quality of financial and other systems of reporting and control within the Company.

In respect of its own performance, the Committee considers that it has given appropriate challenge and direction to the finance department, concentrating on the areas that are relevant to the risks facing the Company.

Sandra Bates

Chair of the Audit & Risk Committee

FOCUSING ON ACHIEVING COMMUNITY EXPECTATIONS

ENVIRONMENTAL, SOCIAL & GOVERNANCE COMMITTEE REPORT

In many ways the operational successes achieved during the year have validated the Company's commitment to developing a strong environmental, social & governance (ESG) framework.



Sanela Karic

Chair of the Environmental, Social & Governance Committee

In many ways the operational successes achieved during the year have validated the Company's commitment to develop a strong environmental, social & governance ("ESG") framework. The timely issuance of exploitation and environmental permits required community, municipal, cantonal, federal and wider civil society support for the project. Further the completion of the first internationally compliant natural resources ESIA was received extremely well by our host communities and at all levels of government. During the public disclosure period the Company presented the findings of the ESIA to a wide range of stakeholders. Constructive comments were received, particularly during the Vares "town-hall" meetings and these will be incorporated into a revised ESIA and its associated Environmental & Social Action & Management Plans and which are scheduled for completion in February next year.

The COVID-19 pandemic has continued to present a challenge to both the Company and our host communities but with ever increasing experience at both managing and mitigating these impacts, life moves on. The impact of increasing staffing levels at the Company and the associated uplift of the local economy is already noticeable, even ahead of full construction activity. The employment, and return to Vares, of a number of members of the diaspora has been particularly gratifying.

The Company purchased a number of land plots in Rupice in the period, required for the mining surface infrastructure. The acquisition of land is often contentious but under the provisos of EBRD's Performance Requirement 5 an independent expert helped the Company to develop its Land Acquisition Compensation & Livelihood Resettlement Plan. The result being that all land plots required were acquired under a willing seller, willing buyer principle.

Since the Autumn we have been monitoring the environment protests in Serbia, against Rio Tinto's Jadar Lithium Borate project, closely. Whilst it has been disturbing to see the level of public disquiet and the fracturing of the relationship between a development project, its host communities and government, neither our operations in Vares or Raska have received any criticism to date. Transparent, honest, and open communication and engagement is working for the Company, and this will continue.

The Adriatic Foundation, which strengthens the symbiosis between the mine and its host communities was established in the summer. After a seed capital donation from the Company and a personal gift of shares by the Company's CEO, the Foundation has to date received over €500,000 in donations. In addition, a commitment has been made by Orion Resources Partners to donate €100,000 a year during its financing tenure. We are particularly proud of the Foundation's first initiative, the award of 29 scholarships to high school children from Vares, Breza and Kakanj municipalities.

Looking forward to 2022 there are many challenges ahead, notably the translation of best intentions and policies into the practical reality of not only retaining but strengthening our license to operate during project construction. To do this the Company must build on the work completed during the year; focusing on achieving community expectations of employment and economic benefit, developing and adhering to strict contractor management plans, integrating the full requirements of the Environmental & Social Management Plans into its operations and maintaining its open and transparent dialogue, and whilst doing so continue to listen as well, with its external stakeholders.

A community development plan is under review, capturing initiatives such as micro-finance to assist start-up businesses, encouraging suppliers to open facilities within the municipality and the development of the municipality's first private health clinic. This clinic, as well as providing for the Company's employees and their families will offer services not currently available to the wider community and by cooperating with the state health care system it will reduce pressure on their finite resources and enable a considerably higher level of service across the board.

The ESG committee met six times in the period. Under the external best practice advisory of Critical Resources, the Committee is operating effectively, supporting and where required challenging the executive management. Critical Resources' direct support to the Committee will end in Spring 2022 and I am confident that we are ready and equipped to support the development stage of the project.

Sanela Karic

Chair of the Environmental, Social & Governance Committee

Composition of the ESG Committee

Sanela Karic, Non-Executive Director – Chair

Michael Rawlinson, Non-Executive Chairman - Member

Peter Bilbe, Non-Executive Director – Member

Dominic Roberts, Head of Corporate Affairs – Secretary

Edward Bickham, Director Critical Resources – Advisor

Primary ESG Activity & Focuses in 2021

Corporate Vision and Values

OUR VISION WE ALIGN WITH THE ASPIRATIONS OF **COMMUNITIES**
AND VALUES WE EMPOWER **OUR PEOPLE** WE CONNECT **THROUGH INTEGRITY**
WE RESPECT AND ENHANCE OUR ENVIRONMENT WE ARE **RESPONSIBLE FOR OUTCOMES**

The Company ran a "Vision and Values" development programme in June culminating in a two-day workshop and Company-wide staff consultation exercise. This resulted in the adoption of a set of Visions and Values that now act as a core tenet to all the Company's operations and particularly its attitude towards engagement with our external stakeholders. At the end of the reporting period our Vision and Values have permeated throughout all activity, are prominent both physically in the branding of our offices and subjectively in the actions and behaviors of our staff.

Public Disclosure of the ESIA

The Project's ESIA was made published on 27th October 2021. The full ESIA was made available through both the Company's websites and EBRD's. Non-Technical Summaries (NTS), printed in both Bosnian and English, were widely distributed to external stakeholders and copies made available in the Info Centre. A programme of disclosure events was coordinated by the Company's ES team, allied to a media campaign that spotlighted the findings of different chapters of the study on a week-by-week basis. Formal disclosure events included:

- Presentation to the Public Liaison Committee;
- Meeting with representatives of local communities: Pržići, Daštanko, Borovica, Vareš, Vareš Majdan, Pogar, Dragovići, Mir;
- Distribution of the NTS to near-mine communities at both Rupice and Veovaca;
- Focus group I - Associations for the Protection of Wildlife, Fishing, Hunting and Beekeeping;
- Focus group II - Scout Association Vareš, Tourist Info Bureau, Vareš Library;
- Focus group III - Religious communities;
- Vareš Municipal Council;
- Vares "town-hall" event; and
- Sarajevo presentation to government, academics and members of the civil society.

ENVIRONMENTAL, SOCIAL & GOVERNANCE COMMITTEE REPORT - CONTINUED

Health Impact Assessment

During the ESIA community interviews the Company became increasingly aware of concerns about both perceptions of the historic mining operation's impact on health and the generally poor provision, particularly of primary healthcare, within the local municipalities. A Health Impact Assessment (HIA) was commissioned, concurrent to the ESIA progress. The findings of the HIA confirmed a number of issues with the provision of primary healthcare and importantly identified that the increasing population numbers, allied to the development of the project, would put strain on current facilities. The Company has entered an agreement with Eurofarm, Bosnia & Herzegovina's leading private healthcare provider to open a clinic in Vares in 2022.

This clinic will provide primary healthcare to the staff and families of the Company and the local population will have the right to elect to use this instead of the state facilities. In so doing the impact of the project's population increase will be mitigated and overall healthcare standards in the municipality are anticipated to improve.



“As the president of the local community of Borovica, I sincerely hope and want this company to start production at full capacity with maximum respect for environmental protection. This is the only chance for the prosperity of our Municipality of Vareš. This project will employ young people, find their places in this company, form their families and thus improve the demographic picture of our Municipality of Vareš, which is currently in poor condition. We as a local community want a fair and honest cooperation as we have had so far. I sincerely believe that our requests presented during public discussion held in August to be fully met. Our agreements so far have been sincere and fruitful. The catchphrase says: “Where there is no communication, complications arise. Bravo!””

Grga Vukančić,

Diversity

The Committee has set a target of a 25% female workforce at senior level. At the time of setting this target, the Company employed 25% female staff within the Vares workforce, with 33% on its board, 25% senior executives. It is appreciated that with the engagement of the main mining contractor and commencement of construction in 2022 this target is ambitious, but one the Company feels is required. The Company is in discussion with the international branch of Women in Mining to open a Balkans “chapter” in the coming year.



Transparency

The Company has committed to work with its host governments in both Bosnia & Herzegovina and Serbia and encourage them to join the Extractive Industry's Transparency Initiative (EITI). In Vares the Company is already paying minimum concession fees, ahead of full fees once operations commence in 2023, and the EITI is considered an important tool to improve transparency of these fees across the wider population.

Contractor Management

In preparation for a construction decision there has been careful consideration of the requirement for strict contractor management systems and procedures; to ensure that the Company's high ESG standards and performance to date is maintained through any contracted third parties. A number of external experts, including Critical Resources, were consulted and the findings have been incorporated into the Company's contract management philosophy.



Health & Safety

Pursuant to our overriding commitment to providing and maintaining a physically and psychologically safe workplace, Adriatic have substantially progressed work towards establishing our occupational health and safety management system. The system is designed on the premise that 'safety' is an organisation's understanding and management of inherent risks with potential catastrophic consequences and is the ability to repeatably plan and deliver work with a clear understanding of the associated hazards and their controls.

The requirements of the safety management system are designed to be easy to understand, and difficult to misinterpret. Motivational and skills-based training and engagement programs will provide our workforce with the skills and commitment to create safe work. To this end, Adriatic have partnered with Integral Risk Innovations (IRI) to support the development of the OHS management system. IRI are a firm of senior resource sector managers linked to a network of experienced health, safety environment, risk and operations support practitioners, with over 100 years combined experience in global organisations through to single-site operations.

Development of the system is designed in phases which are designed to support the operational risk profile as it changes with construction and commissioning phases.



Procurement Policies

During the Period the Company's procurement policies have been carefully developed to ensure the widest range of potential suppliers. It is recognized that Bosnia & Herzegovina is not an established mining jurisdiction and one without many of the normal dedicated industry suppliers. But it is also clear that there is the potential to not only utilise a large number of national suppliers and service providers but also develop their skills and standards in unison with the Project's development. The Company will commit to procuring locally where practical and encourage all its suppliers to locate facilities near to the mine and to employ and train local staff. Initiatives under discussion at the end of the year include utilizing both EU and EBRD funding to provide ISO accredited training to suppliers and improving, particularly for SMEs, access to credit. The Company's pre-qualification questionnaires have been specifically tailored to identify gaps in a potential supplier's policies and systems and to develop the wherewithal to correct them ahead of contract award.

Skills Gap

Both Bosnia & Herzegovina and Serbia benefit from well educated, motivated young workforces, who historically have often migrated abroad to find employment opportunities. The Company is clear that in both jurisdictions it can recruit potential and in time develop that into senior engineering and management. However, to do this the Company requires a coherent learning & development programme and must carefully explain to its host communities the processes by which the international engineers will eventually make themselves redundant in favour of local staff.

Co-funded by EBRD's Private Sector Youth Initiative the Company has facilitated the commencement in September of a vocational mining course at Vares High School. Bosnian students are streamed at 16 to follow either academic education (the ultimate ambition being university attendance) or vocational training. Since the end of mining in Vares in 1988 the High School's vocational programme has been limited to truck driving & maintenance, physiotherapy and hairdressing. All skills that will benefit from the Project's construction. The Company had the opportunity to work with the education authorities to develop the two-year course syllabus and in 2023 this will be extended to an evening-school format for members of the community to join and re-skill. The Company has awarded bursaries to the students on the mining course, and Company engineers provide visiting lectures to the students.



ENVIRONMENTAL, SOCIAL & GOVERNANCE COMMITTEE REPORT - CONTINUED

Vares Info Centre Visitors 2021

Visit reason	Visitors number
Adriatic Foundation	78
Job application	154
Employment information	85
Donations/Initiatives	75
Post services	180
Meetings	78
Eastern Mining employees	358
Investors and consultants	18
Covid testing	27
Other (PLC, Contractor visits, Documentation)	217
Accommodation offers	10
Grievance/complaint	2
TOTAL	1,282

“The Vares Information centre was opened in 2019. Since then I have worked as an Information Centre Associate and I am also a resident of Vares. I am content and proud of the way the Company interacts with the local population, as well as accomplishing the main objectives and purpose of Information Centre - developing two-way cooperation with local community. I'm delighted that I am able to be at disposal to all stakeholders and to answer their questions, to hear their feedback, to help them and ensure that they feel included in the journey and part of Vares Project”.

Almedina Likić,
Information Centre Associate

International Staffing Levels

The Company is acutely aware of the problems contemporaries have faced in addressing the balance of national and international staff. Through regular and open communication, the Company has advised the local communities on the requirement and role of its international staff and highlighted the ambition to reduce these drastically over time through skills transfer. Where possible the Company has also targeted the recruitment of mining professionals from the diaspora. All vacant posts are advertised internally, locally and nationally before internationally. A media campaign was undertaken to introduce key international engineers to the local communities and use this as an opportunity to explain their role in capacity building.

Raska

The Company is using broadly the same roadmap in Raska as it has done in Vares, where necessary tailored to the different setting. Given that Raska is also a community built on mining, and one that was badly affected when the Yugoslavian mine, “Suva Ruda”, closed in the 1990s there are many contextual similarities between the two projects. The principal differences are the proximity to the Kopaonik national park, the high levels of seasonal employment associated with Kopaonik ski-resort and the proximity to the Serbian/Kosovo border.

Alongside drilling operations, the Company's ES team has initiated baseline environmental studies, engages regularly with the National Park and towards the end of the period opened an info centre in Raska. Given the level of environmental campaign against the industry and specifically Rio Tinto's Jadar project, the decision to open the info centre was carefully considered. However, the feedback from the local community and municipality was such that the centre was opened successfully in December, with a high level of attendance from a range of stakeholders and is appreciated by the local population. Whilst it is anticipated that the environmental campaign will calm after the general elections in April, the Company is clear that it must carefully consider the missed opportunities at other projects and continue the work required to underpin its license to operate. In the forthcoming period the Company will establish a Public Liaison Committee through which it will increase its engagement, particularly with the near-exploration communities.

“All the activities undertaken by the Company so far have been shown in a positive light. We hope that it will be same in the future. The attitude towards young people who are given a chance and an opportunity to find themselves there is especially positive. We hope that this will be a great economic shift for our local community as well as for the Company.”

Halima Ahmedović

Development Environmental Social & Governance Narrative

As the Company moves into the development phase of the Vares Silver Project it will implement an increasingly coordinated and strategic approach to ESG in conjunction with the development of Vares.

Adriatic's Values and Ambition

- Fundamentally, Adriatic believes that it is most likely to succeed when it works in harmony with the expectations of its host countries and societies.
- Adriatic is a responsible producer of metals required for modern society, including in the energy transition (e.g. silver and copper).
- It aims to operate in a way that minimises environmental and social impacts and shares value with stakeholders.
- In the communities where it operates, Adriatic aims to work respectfully, and in consultation with, local people to leave a lasting positive socio-economic legacy.
- The Company commits the resources and professional expertise needed to manage the complexity of our business and relationships with stakeholders.
- Adriatic is committed to responsible environmental stewardship and to the efficient use of resources such as energy and water.
- It seeks to align its work (and that of its contractors and suppliers) to recognised ESG good practices.
- Adriatic's core values reflect this approach:
 - **People:** we continuously strive to ensure the well-being of our employees and stakeholders
 - **Integrity:** we act honestly and fairly in all our business dealings.
 - **Transparency:** we are transparent with stakeholders about our impacts and hold ourselves accountable for our decisions.
 - **Sustainability:** we act as responsible stewards of our environment.

How ESG fits into Adriatic's corporate strategy

- Adriatic believes that a responsible approach to mining, with value created for all its stakeholders, is the foundation of success.
- The company is developing the Vares Project in a manner that is consistent with this belief, seeking to maximise economic benefits for our communities and nationally while applying the highest standards of environmental protection and corporate integrity and providing commensurate returns to investors.
- In the medium term, Adriatic believes this approach is valid in other countries and communities in Europe and can underpin the company's ambition of becoming a multi-asset, responsible metals producer.

How Adriatic governs ESG risks with proper respect for the expectations of stakeholders

- Responsibility for ESG performance sits at the highest levels of the company, with a dedicated Board Committee providing oversight and strategic direction and ESG is integrated into the responsibilities of Adriatic's senior managers.
- ESG factors are embedded in to the remuneration and incentivisation of all senior managers.
- Adriatic has a rigorous risk management process that incorporates ESG factors, which ensures that risks are captured, monitored and mitigated, with regular oversight from the company's Board.
- Adriatic has conducted an Environmental and Social Impact Assessment for the Vareš project that conforms to rigorous international standards, providing a solid foundation for managing the project's impacts.
- Adriatic regularly engages and works with stakeholders on ESG issues, in particular in addressing any concerns from local people. The company has established Public Liaison Committees in the communities where it works to provide a platform for regular discussion and feedback.

- Having received investment from the European Bank for Reconstruction and Development, Adriatic is committed to implementing the Bank's Performance Requirements, which constitute environmental and social best practice. Adriatic's adherence to the Performance Requirements is independently audited.
- Adriatic engages regularly with its investors on ESG to communicate progress, collect feedback and learn from their experience.

REMUNERATION POLICY ALIGNED WITH SHAREHOLDER INTERESTS

REMUNERATION & NOMINATIONS COMMITTEE REPORT

PART 1 - SUMMARY STATEMENT FROM THE CHAIRMAN

DEAR SHAREHOLDER



Peter Bilbe
Chairman of Remuneration Committee

On behalf of the Board, I am pleased to present the Remuneration & Nominations Committee Report, which sets out the remuneration policy and the directors' remuneration for the year ended 31 December 2021. It has been prepared in accordance with the requirements of The Large and Medium-sized Companies and Groups (Accounts and reports) (Amendment) Regulations 2013 (the Regulations).

The Regulations apply to the Company because it is a UK incorporated company and was admitted to the Standard Segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange's Main Market (Standard Segment) on 12 December 2019. The Company has resolved to comply with the provisions of the Quoted Companies Alliance Corporate

Governance Code (QCA Code) so far as is practicable given the Company's size, nature and stage of development and has prepared this report with regard to the QCA Remuneration & Nominations Committee Guide for small and mid-sized quoted companies, revised in 2018. A summary of the Remuneration Committee's role and membership can be found in the Governance section of this Annual Report.

After this introductory letter, this report is split into two parts:

- 1) our Remuneration Policy, which became effective for a period of three years when it was passed by a binding shareholder resolution at the 6 November 2020 AGM, and
- 2) the Annual Statement on Remuneration covering the year ended 31 December 2021, reflecting the arrangements in place during that year.

An important point to note is that, as required by ASX rules, all share incentive awards to Directors during the period were also approved by shareholders at a general meeting. Share awards are a key part of Adriatic's Director remuneration policy and the central element of director incentivisation.

Remuneration policy

The Remuneration Policy is intended to fit the current size and profile of the Group, to support the achievement of the Group's operational, business, financial and strategic objectives and align the interests of the directors with shareholders over the short and longer term. To achieve our goals, the

Group seeks to provide competitive overall pay, split between fixed and performance-related elements.

Prior to 1 January 2021, the approach to executive remuneration had been to limit the cash cost through modest salaries (or consulting fees), no pension or benefit arrangements, limited and focused key performance indicator (KPI) bonuses and to make significant share incentive awards either as options or performance rights, normally with operational or share price performance targets to be met by specified dates which did not correspond to specific one- or three-year financial periods.

With effect from 1 January 2021, the Company implemented a structured short-term cash-based incentive plan (STIP) to operate on an annual basis. The Company also intends to operate a structured long-term incentive strategy entailing awards of performance rights granted annually subject to relative shareholder return and corporate targets with the first awards being granted to eligible 2021 new joiners in January 2022 and to pre-existing staff, including the Executive Director/CEO, in the first quarter of 2023. Further detail on forward remuneration is set out at the end of this remuneration report.

Paul Cronin our CEO receives base remuneration split between Director's fees and consultancy fees paid by the Company and it's wholly owned subsidiary Eastern Mining d.o.o. Mr Cronin also participated in the Company's STIP during the year. There is no pension or benefits. A number of legacy non-annual KPI cash bonus targets set for achieving specific targets were achieved during the year and Mr Cronin benefitted from the vesting of

performance rights during the year that were granted historically reflecting his contribution to the development of the Company when his cash remuneration was substantially below commercial levels.

Historically, the Chairman's and Non-Executive Directors' remuneration has been pitched at modest levels with one-off option awards. As an Australian listed company, all share awards to Directors have been approved by shareholders.

As the Company develops including bringing its lead asset into production and building its asset portfolio, it will further develop its executive, senior team and Non-Executive director remuneration arrangements to reflect its changing profile and priorities. The Company proposed a new directors' remuneration policy as laid out in our 2019/20 Annual Report and approved at our AGM on 6th November 2020 with the support of 97.0% of votes cast. This policy was designed to provide scope and flexibility for the company to develop its remuneration arrangements over time towards arrangements which are more conventional for mid cap international quoted resources business.

The Company will develop its remuneration arrangements over time in accordance with this policy. As previously reported the Executive Director's base remuneration was increased with effect from July 2021 and increase the fee levels of the Chairman and Non-Executive Directors from 1 January 2022 as reflected later in this document. No further option awards will be granted to the Chairman or Non-Executive directors.

The Remuneration and Nominations Committee is abreast of developments in corporate governance and good practice. The Company has resolved to comply with the QCA Code so far as is practicable given the Company's size, nature and stage of development and the remuneration arrangements in the future are intended to comply with good practice reflecting the company's size and profile, and with the QCA Code, not the UK Corporate Governance Code (published by the FRC) which Premium List companies are required to comply with.

Remuneration & Nominations Committee

Remuneration & Nominations Committee meetings are normally held at least once a year and met twice during the year ended 31 December 2021. Additionally, matters for its consideration were discussed at Board meetings on several occasions. On each occasion, no Director was present while matters concerning him or her were discussed, and all decisions were taken by Non-Executive Directors, in accordance with the Remuneration Committee's Charter. The Remuneration & Nominations Committee comprises Peter Bilbe (Chair), Julian Barnes and Sandra Bates, all of which have deemed by the Board to be independent.

Context within which Remuneration managed

As detailed elsewhere in this annual report, during the year the Company achieved considerable progress towards our main objective of developing the Vares Project including completion of associated equity and debt financing that have the potential to deliver growth for the benefit of Adriatic's shareholders. The company also completed the acquisition of Tethyan Resource Corp with a view to developing a pipeline of projects and becoming a multi-mine producer.

Principal actions and decisions during the year

The principal decisions in respect of remuneration taken during the year were:

- Awards of performance rights to the following senior staff during the year, Head of Corporate Development & Investor Relations and Project Director neither of whom are Directors;
- Following Mr. Cronin's decision to permanently relocate to Bosnia & Herzegovina from 1 January 2021, the Company, Swellcap Limited and Mr. Cronin entered into an agreement pursuant to which the service contract between Swellcap Limited and the Company dated 1 July 2019 was terminated. The Company entered into a new agreement on substantially the same terms directly with Mr. Cronin with a commencement date of 1 January 2021. No compensation was paid or will be paid to either Swellcap Limited or Mr. Cronin in connection

with these changes.

- Approving the vesting of performance rights held by the CFO, COO and Head of Corporate Affairs, none of whom are directors, in December 2021.
- Approving the payment for two non-annual cash KPI bonus to the CEO.
- Reviewing the outcomes from the annual board effectiveness review and making recommendations to the Board.
- Approval of the CEO's base salary increase from £218,570 to £268,241 with effect from 1 July 2021.

Principal actions and decisions after the year end

The Remuneration & Nominations Committee approved the Annual STIP bonus outcomes and associated bonus payments to the CEO and senior management, as well as setting the KPI targets for the 2022 Annual STIP bonus.

Determining the level and performance condition attached to LTIP and ad-hoc performance rights awards made to staff in February 2022, none of whom were directors.

AGM

At our AGM held on 20 May 2021, the annual advisory resolution to approve the binding resolution on our Remuneration Policy contained in our 31 December 2021 Annual Report was approved with the support of 97.7%. The Directors are not aware of the reason for the modest vote against.

Since there were no changes made to the existing remuneration policy (that was approved at the AGM on 6 November 2020), there was no requirement for its approval at the AGM held on 20 May 2021. The remuneration policy is required to be put to shareholders every three years unless there are changes.

I hope that you find this report helpful and informative and I look forward to receiving further feedback from our investors on the information presented.

Peter Bilbe

Chairman of Remuneration Committee

REMUNERATION & NOMINATIONS COMMITTEE REPORT - CONTINUED

PART 2 – REMUNERATION POLICY

The Company's remuneration policy seeks to provide a strong and clear link between business strategy and incentive arrangements. No payments may be made that are inconsistent with the policy that was approved at our 6 November 2020 AGM, and it must be approved by the shareholders once every three years, or whenever there is a proposal to amend it.

Executives and management

The Board is responsible for determining and reviewing compensation arrangements for the Directors and senior executives reporting to the Managing Director and Chief Executive Officer. The broad policy is to ensure that remuneration properly reflects the individuals' duties and responsibilities and that remuneration is fair and competitive in attracting, retaining and motivating quality people with appropriate skills and experience. At the time of determining remuneration, consideration is given by the Board to the Group's financial circumstances and performance.

Up to January 2021, the approach to remuneration was to limit the cash cost through modest salaries and fees, no pension or benefit arrangements, limited and focused key performance indicator bonuses and to make significant share incentive awards either as options or performance rights, typically with operational or share price performance targets to be met by specified dates which do not correspond to specific one or three year financial periods.

As part of its suite of corporate governance policies and procedures, the Board has adopted formal Remuneration and Nomination Committee Charters and this Remuneration Policy, which was approved by shareholders for the first time under English company law at the Company's 6 November 2020 AGM.

The table below summarises the main elements of the remuneration package for Directors

Element	Purpose and link to remuneration policy	Key features and operation	Maximum opportunity	Applicable performance measures
Base salary	Supports the recruitment and retention of Executive Directors of the calibre required to fulfil the role without paying more than necessary. Reflects skills, experience, role.	Base salaries are set by the Remuneration & Nominations Committee (Remcom) and reviewed annually. Increases are effective from 1 January, although increases may be awarded at other times if the Remcom considers it appropriate. In determining base salaries, the Remcom considers: pay levels at companies of a similar size and complexity, external market conditions; pay and conditions elsewhere in the Group; role of individual and personal performance. Directors may be paid consultancy fees through service companies.	There is no maximum value.	None.
Benefits	To help recruit, retain and motivate high performing Executives.	None are provided or anticipated at present.	No maximum value. The Group may provide additional market competitive benefits such as private healthcare and car allowance.	None.
Pension	To help recruit, retain and motivate high performing Executives.	None are provided or anticipated at present	If introduced, the maximum amount would be 10% of base salary plus consultancy fees.	None.

Element	Purpose and link to remuneration policy	Key features and operation	Maximum opportunity	Applicable performance measures
Bonus	Rewards and incentivise the achievement of annual objectives which are aligned with key strategic goals and supports the enhancement of shareholder value.	Operational, financial and/ or other targets are set to be achieved by specified dates triggering the payment of specified amounts. Awards subject to targets may be set at any time and are not set on an annual basis. Paid in cash following meeting of target. Bonuses are non- pensionable. Bonuses may be paid in shares at the Committee's discretion.	Maximum potential values will not exceed 100% of base salary and consultancy fees in any year. Existing arrangements are set out in the annual report section below.	Specific targets and weightings may vary according to strategic priorities and may include: financial performance, operational performance, attainment of personal and strategic objectives. Weighting will focus on operational targets.
Long term incentive plan	Incentivises executives to achieve the Company's long term strategy and create sustainable shareholder value. Aligns with shareholder interests through the potential delivery of shares.	Awards of performance rights or options under either of 2019 share award plans which vest subject to operational, financial and/ or share price targets to be achieved by specified dates triggering the payment of specified amounts. Awards subject to targets may be set at any time and are not set on an annual basis. Vesting schedule is at the Committee's Discretion and may be different for each award. A summary of the key terms of the plans is set out later in this policy section.	Market value of award will not normally exceed 100% of the individual's salary and consultancy fees. In exceptional circumstances, such as initial awards, awards to facilitate hiring and/or new strategic periods, market value at award may be up to 300% of salary. Existing arrangements are set out in the annual report section below.	Specific targets and weightings may vary according to strategic priorities and may include operational, share price or financial performance, attainment of personal and strategic objectives. Weighting is likely to focus on operational and share price targets.
Non-executive fees	Fees for Non-Executive Directors are set at an appropriate level to recruit and retain directors of a sufficient calibre without paying more than is necessary to do so. Fees are set taking into account the following factors: the time commitment required to fulfil the role, typical practice at other companies of a similar size, and salary levels of employees throughout the Group.	Fees are reviewed at appropriate intervals (normally once every year) by the Board with reference to individual experience, the external market and the expected time commitment required of the director.	The Articles provide that each Director is entitled to such remuneration from the Company as the Directors decide, but the total amount of fees provided to all Non-Executive Directors must not currently exceed £400,000 (A\$725,000) per annum.	
Non-Executive share awards	To help recruit, retain and motivate appropriately skilled Non-Executive Directors and align them with shareholders.	In the past the Company has made one-off awards of options with exercise prices above the prevailing share price at the time of the award. No performance conditions are attached and the options vest immediately and lapse three years after grant.	Awards have been made before the date of this annual report. Beyond this, only modest awards, with a market value up to £50,000 may be made to the Chairperson or Non-Executive Directors.	

REMUNERATION & NOMINATIONS COMMITTEE REPORT - CONTINUED

PART 2 – REMUNERATION POLICY - CONTINUED

Shareholder approval

This Policy set out above was approved by shareholders at the 6 November 2020 AGM and became effective from that date for a period of three years. Since there were no changes made to the existing remuneration policy there was no requirement for its approval at the AGM held on 20 May 2021.

No further approvals are required under UK law in relation to the operation of the existing or future share options plans. However, shareholder approvals may be required in future under applicable ASX rules.

Equity incentive schemes

A summary of the key terms of the ESOP 2019 and the Option Plan 2019 was set out in our 2019/2020 annual report.

Malus and claw back

Prior to 2021, neither the bonus nor the long-term incentive plans have contained malus or clawback provisions, reflecting the size and profile of the Company when these plans were approved by the Board. Bonus and long-term incentive awards from 2021 onwards will have malus and claw back provisions attached in line with UK governance best practice.

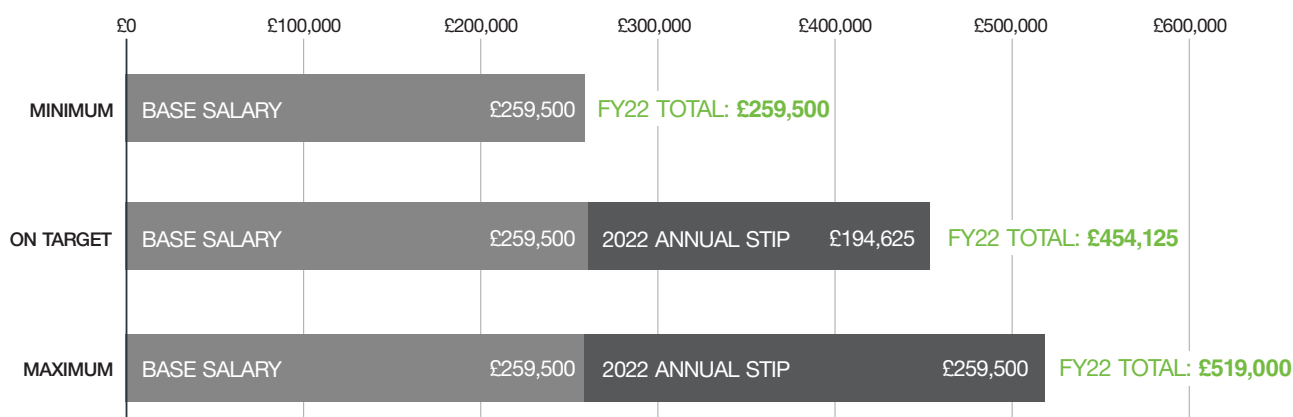
POLICY PROVISIONS RELATING TO EXECUTIVE DIRECTOR'S REMUNERATION

Illustration of application of remuneration policy

An illustration of the application of the remuneration policy for 2022 is set out below. The charts below give an indication of the level of remuneration that would be received by the Executive Director in accordance with the Directors' remuneration policy.

As part of its suite of corporate governance policies and procedures, the Board has adopted formal Remuneration and Nomination Committee Charters and this Remuneration Policy, which was approved by shareholders for the first time under English company law at the Company's 6 November 2020 AGM.

The table below summarises the main elements of the remuneration package for Directors



The charts provide estimates of the potential future reward opportunities for the Executive Director for the year ending 31 December 2022, and the potential split between the different elements of remuneration under three different performance scenarios: "Minimum"; "On target"; and "Maximum". The "On target" scenario will be calculated based achievement of the previously agreed cash bonus and performance rights vesting targets and achieving 75% of the maximum potential award under the STIP.

The "Maximum" scenario has been calculated assuming that the Director achieves the maximum achievable STIP bonus being 100% of base salary.

Under the policy LTIP programme awards to the CEO will recommence from 1 January 2023 onwards and will not form part of the CEO's remuneration in 2022.

The illustration does not include the 5,000,000 vested options held by Mr Cronin and expiring on 1 July 2023 which were granted to founders of the Company in April 2018 at the time of the Adriatic's listing on the ASX.

There are presently no other Executive Directors.

How employee pay is taken into consideration

When determining remuneration policy and arrangements for Executive Directors, the Remuneration & Nominations Committee considers the wider pay and employment conditions elsewhere in the Group to ensure pay structures from Executive Director to senior executives are aligned and appropriate. The Remuneration & Nominations Committee did not consult with its employees in formulating this policy.

Shareholder views on remuneration

The Chair of the Remuneration & Nominations Committee will be available to contact shareholders concerning the Company's approach to remuneration. The Company welcomes a dialogue with its shareholders and will seek the views of its major shareholders if and when any major changes are being proposed to the policy.

Alignment of executive remuneration and the market

The Remuneration & Nominations Committee sets Director remuneration policy in the light of its knowledge of remuneration at comparable companies and will undertake benchmarking exercises periodically so that it can do this. This is done to ensure Executive Director remuneration is appropriate, competitive and not excessive.

Approach to remuneration on recruitment

In the event that the Company recruits a new Executive Director (either from within the organisation or externally) when determining appropriate remuneration arrangements, the Remuneration & Nominations Committee will take into consideration all relevant factors (including but not limited to quantum, the type of remuneration being offered and the jurisdiction the candidate was recruited from and in which he/she will primarily be located) to ensure that arrangements are in the best interests of both the Company and its shareholders without paying more than is necessary to recruit an Executive Director of the required calibre.

The Remuneration & Nominations Committee would generally seek to align the remuneration package offered with the Company's remuneration policy outlined in the table above. However, the Remuneration & Nominations Committee retains the discretion to make proposals on hiring a new Executive Director which are outside the standard policy:

- In the first year of appointment, the Committee may offer additional remuneration arrangements that it considers appropriate and necessary to recruit and retain the individual which shall not be offered in successive years; and
- It may also offer awards on appointing an Executive Director to "buy-out" remuneration arrangements forfeited on leaving a previous employer.

Executive Director's service contracts

Prior to 1 January 2021, the services of the CEO and Managing Director had been provided under a service contract between the Company and Swellcap Limited with a commencement date of 1 July 2019. These are not of a fixed duration and are terminable by either party giving six months' written notice. Contracts entered into with Executive Directors will have a notice period not exceeding 12 months.

Following Mr. Cronin's permanent relocation to Bosnia & Herzegovina on 1 January 2021, the Company, Swellcap Limited and Mr. Cronin entered into an agreement pursuant to which the service contract between Swellcap Limited and the Company date 1 July 2019 was terminated. The Company entered into a new agreement on substantially the same terms directly with Mr. Cronin with a commencement date of 1 January 2021. No compensation was paid or will be paid to either Swellcap Limited or Mr. Cronin in connection with these changes.

The contract is not of a fixed duration and is terminable by either party giving six months' written notice. Contracts entered into with Executive Directors have a notice period not exceeding 12 months.



REMUNERATION & NOMINATIONS COMMITTEE REPORT - CONTINUED

POLICY PROVISIONS RELATING TO EXECUTIVE DIRECTOR'S REMUNERATION - CONTINUED

Policy for payments for loss of office - continued

Policy for payments for loss of office

Notice periods set in the Executive Directors' service contracts are driven by the need to protect shareholder value and interests. As noted above, the service contract of the Executive Director has a notice period of six months. A bonus is not usually paid to a "good leaver" or any leaver should they leave before the payment date of said bonus.

The principles governing determination of payments for loss of office are:

- service contracts legally oblige the Company either to continue to pay salary and pension allowances and other contractual benefits for any unworked notice period or, at the option of the Company, to make payment in lieu of notice unless where an Executive Director's employment is summarily terminated. The Remuneration & Nominations Committee reserves the right to make discretionary payments in lieu of notice which may be paid in a lump sum, quarterly or monthly;
- the payment of a performance bonus and/or other short-term incentives may be offered to the departing Executive Director during his/her notice period, based on an assessment of personal and corporate performance up to the date of departure. Bonuses will not be paid for any unworked period of notice;
- where a role fulfilled by an Executive Director is declared redundant then the individual may have the legal right to either statutory redundancy pay or to a payment under the Group's normal severance arrangements applicable to employees generally; and
- in case of poor performance, contractual termination payments may generate undue and potentially excessive reward; in such circumstances, the Remuneration & Nominations Committee will consider terminating a service contract on a fair basis, whilst protecting the rights of the Company.

The Company's various incentive schemes are governed by formal rules, approved by shareholders. Executive Directors have no contractual rights to the value inherent in any awards held

under these plans and these plans provide for vesting in different leaver scenarios. Unless otherwise agreed by the Board, unvested awards will lapse when an Executive Director ceases to be employed by the Company. However, in cases of death, ill-health, injury, redundancy, retirement or the transfer of employment from one company to another company in the Group, awards will lapse unless the Board, in its absolute discretion, determines otherwise.

If employment or service is terminated by the Company, the departing Executive Director or senior executive may have a legal entitlement (under statute or otherwise) to additional amounts, which would need to be met. The Remuneration & Nominations Committee retains discretion to settle any other amounts reasonably due to the Executive Director or senior executive where the Company wishes to enter into a settlement agreement. In certain circumstances, the Remuneration & Nominations Committee may approve new contractual arrangements with the departing Executive Director or senior executive, potentially including settlement, confidentiality, restrictive covenants and/or consultancy arrangements. These will only be used where the Remuneration & Nominations Committee believes it is in the best interests of the Company.

The Remuneration & Nominations Committee generally seeks to apply practical mitigation in respect of termination payments where appropriate. Any ex-gratia payments made at the discretion of the Remuneration & Nominations Committee in excess of statutory or contractual obligations will be limited to an amount not exceeding one year's bonus plus legal fees, so long as such fees do not exceed £10,000.

Flexibility, discretion and judgement

An attempt has been made to ensure that the majority of situations and scenarios that may arise in relation to Executive Directors' remuneration have been covered in this policy. There may be times when the Remuneration & Nominations Committee may need to exercise appropriate discretion,

judgement or flexibility to achieve a fair result; as no remuneration policy, however comprehensive and carefully designed and implemented can pre-empt every possible scenario. Discretion must be available to the Remuneration & Nominations Committee at times where changes to business requirements demand it has the ability to assess and amend pay and short term or other incentives as appropriate in order to motivate, drive appropriate behaviours and incentivise performance to promote the long-term success of the Company.

Judgement and flexibility may also be needed in downgrading, as well as upgrading certain remuneration elements, or in determining a suitable balance between fixed and performance-related, immediate and deferred remuneration, thereby permitting the Remuneration & Nominations Committee to adapt to changing or challenging situations in the overall business environment for the benefit of the Company, including considerations of political and social pressures to which the Company may be subject. Although the Remuneration & Nominations Committee will seek to maintain a strict adherence to the three-year policy whenever possible, the requirement to engage with shareholders each and every time a measure is identified as being required can be onerous in time and expense.

The Remuneration & Nominations Committee remains wholly committed to maintaining engagement with shareholders throughout the three-year life of the policy and, where appropriate, shall formally engage them in placing a revised policy to a General Meeting for approval before the three-year period expires. The Remuneration & Nominations Committee however requests the ability (and flexibility) to exercise their discretion and judgement to ensure that the determination and implementation of this policy is fair to both the Executive Directors and the shareholders, whilst taking into account the overall performance of the Company and any relevant internal and external factors.



Non-Executive Directors

The Non-Executive Directors signed letters of appointment with the Company upon appointment for the provision of Non-Executive Directors' services, terminable by three months' written notice given by either party.

Non-Executive Director	Appointment date
Michael Rawlinson	4 March 2019
Peter Bilbe	16 February 2018
Julian Barnes	16 February 2018
Sandra Bates	11 November 2019
Sanela Karic	3 August 2020

The Non-Executive Directors' remuneration (including that of the Chairperson) reflects the anticipated time commitment to fulfil their duties. Non-Executive Directors do not receive benefits, a pension or compensation on termination of their appointments or bonus. In the future, they will not receive further major long term incentive awards (see policy table for details). When recruiting a new Non-Executive Director, the Remuneration & Nominations Committee will follow the policy set out in the table above. The letters of appointment do not include any provisions for the payment of pre-determined compensation upon termination of appointment and notice may be served by either party. All appointments are subject to the Company's Articles of Association (Articles) and re-election by shareholders in accordance with the provisions contained in the Articles.

If the Board is contemplating a transaction that requires more work than would normally be expected of Non-Executive Directors, their fees may be increased by up to 100%, to a level to be determined by the Board at that time.

The Directors have responsibility to review, monitor and make recommendations to the Board regarding the orientation and education of directors which includes an annual review of the Directors' compensation programme.

The Articles provide that each Director is entitled to such remuneration from the Company as the Directors decide, but the total amount of fees provided to all Non-Executive Directors must not currently exceed £400,000 (A\$725,000) per annum.

The terms and conditions of appointment and letters of appointment of Non-Executive Directors and all the Directors' service contracts are available for inspection at the Company's registered office.



REMUNERATION & NOMINATIONS COMMITTEE REPORT - CONTINUED

PART 3 – REMUNERATION REPORT (AUDITED)

The Group paid the following remuneration to each Director:

(In GBP)

Year ended 31 December 2021

	Total Salaries and fees ^(A)	Cash bonus ^(C)	Share awards vesting in year ^(C)	Total remuneration	Total fixed remuneration	Total variable remuneration
Executive Directors						
Paul Cronin ⁽⁵⁾	243,406	167,437	1,088,550	1,499,393	243,406	1,255,987
Non-Executive Directors						
Michael Rawlinson	50,000	-	-	50,000	50,000	-
Peter Bilbe	29,465	-	-	29,465	29,465	-
Julian Barnes	30,000	-	-	30,000	30,000	-
Sandra Bates ⁽¹⁾	30,000	-	-	30,000	30,000	-
Sanela Karic ⁽²⁾⁽⁴⁾	18,844	-	-	18,844	18,844	-
Total Directors' Remuneration	401,715	167,437	1,088,550	1,657,702	401,715	1,255,987

(In GBP)

Six months ended 31 December 2020

	Total Salaries and fees ^(A)	Cash bonus ^(C)	Share awards vesting in year ^(C)	Total remuneration	Total fixed remuneration	Total variable remuneration
Executive Directors						
Paul Cronin ⁽⁵⁾	106,859	-	-	106,859	106,859	-
Non-Executive Directors						
Michael Rawlinson	23,333	-	-	23,333	23,333	-
Peter Bilbe	16,642	-	-	16,642	16,642	-
Julian Barnes	15,000	-	-	15,000	15,000	-
Sandra Bates ⁽¹⁾	15,000	-	-	15,000	15,000	-
John Richards ⁽³⁾	642	-	-	642	642	-
Sanela Karic ⁽²⁾	78,533	-	-	78,533	78,533	-
Total Directors' Remuneration	256,009	-	-	256,009	256,009	-

Notes:

- A. Total amount of salaries and fees includes money or other assets received or receivable for the relevant financial year, including share awards without performance measures or targets vested in the relevant year. The monetary value of share awards is calculated as the number of awards vested multiplied by the share price on the vesting date less options exercise price or performance rights nominal value payable. The Share awards which vested during the year were market value options and as such their entire value was attributable to share price appreciation.
- B. There were no taxable benefits in either the current year or prior period.
- C. Money or other assets received or receivable for the relevant financial year as a result of the achievement of performance measures and targets relating to a period ending in that financial year. The monetary value of share awards is calculated as the number of awards vested multiplied by the share price on the vesting date less options exercise price or performance rights nominal value payable.

Paul Cronin had Option Vesting during year, amount of award attributable to share price appreciation as follows:

Grant Date	Number of shares	Strike Price	Share Price at Grant Date	Value of award above market value	Vesting Date	Share Price at Vesting Date	Value on Vesting	Value attributable to share price appreciation
29/11/2019	750,000	£0.013355	A\$1.315	£506,927	09/12/2021	A\$2.71	£1,088,550	£581,623

Award vested on completion of a JORC compliant definitive feasibility study. No discretion was exercised in determining whether the LTIP vested.

Cash bonus for Paul Cronin comprised of £70,000 bonus paid during year (6 months to 31 December 2020; nil) and £97,437 of accrued STIP bonus (6 months to 31 December 2020; nil), of which £48,718 was paid in January 2022, £48,718 payable in January 2023.

- D. There were no pension related benefits in either the current year or prior period.

- 1) Appointed 11 November 2019 2) Appointed 3 August 2020 3) Appointed 11 November 2019, resigned 8 July 2020
- 4) Ms. Karic voluntarily chose to waive her emoluments from 1 March 2021 that would otherwise be paid to her by the Company until such time as the Company has received the Rupice exploitation permit. Ms. Karic requested that the Company instead donates the equivalent amount to the Adriatic Foundation. As a result Sanela Karic waived £9,477 of fees (equivalent to four months worth) which were paid over to the Adriatic Foundation during the year.
- 5) Paul Cronin donated 250,000 of his personal shares in Adriatic Metals to the Foundation during the year.

No payments for loss of office were made in the current year or in the prior period.

Directors' fees are paid monthly in arrears.

Paul Cronin was appointed CEO and Managing Director on 18 September 2019. His total remuneration during the year ended 31 December 2021 was £1,499,393 (six month period ended 31 December 2020: £106,859).

The 750,000 Performance Rights exercised by Mr. Cronin during the current year were granted on 29 November 2019 following shareholder approval and vested on the test date of 9 December 2021 because the performance criteria of (a) completion of a JORC compliant Feasibility Study; and (b) the Volume Weighted Average Market Price per (CDI as quoted on ASX) exceeded A\$1.25 for the 5 consecutive trading days immediately prior to 31 December 2021 had been met.

Gains on the exercise of performance rights by Directors during the year ending 31 December 2021 were as follows:

	Date of exercise	Nominal consideration payable on exercise of each performance right	Number of performance rights exercised	Share price on date of exercise	Gain on exercise
Paul Cronin	9 December 2021	£0.013355	750,000	A\$2.71	£1,088,550

There were no gains on the exercise of performance rights by Directors during the six-month period ended 31 December 2020.

Gains on the exercise of share options by Directors during the year ending 31 December 2021 were as follows:

	Date of Grant	Vesting date	Date of exercise	Exercise price	Number of performance rights exercised	Share price on date of exercise	Gain on exercise
Peter Bilbe	27 April 2018	1 April 2019	8 June 2021	A\$0.30	900,000	A\$2.75	£1,205,584
Julian Barnes	27 April 2018	1 April 2019	8 June 2021	A\$0.30	1,000,000	A\$2.75	£1,339,538

Gains on the exercise of share options by Directors during the six-month period ending 31 December 2020 were as follows:

	Date of Grant	Vesting date	Date of exercise	Exercise price	Number of performance rights exercised	Share price on date of exercise	Gain on exercise
Peter Bilbe	27 April 2018	1 April 2019	20 November 2020	A\$0.30	600,000	A\$2.23	£641,782

The exercise price is calculated based on the share price at date of the agreement being entered into between the Company and the Director and may not be the same as the share price on the date of grant due to timing differences arising as a result of the ASX requirement for shareholders to approve all options and share awards to Directors.

The monetary value of vested share awards granted to each Non-Executive Director without performance measures or targets included in total salaries and fees was as follows:

(In GBP)	Year ended 31 December 2021	6 months ended 31 December 2020
Michael Rawlinson	-	-
Peter Bilbe	-	-
Julian Barnes	-	-
Sandra Bates	-	-
John Richards	-	-
Sanela Karic	-	66,244
	-	66,244

REMUNERATION & NOMINATIONS COMMITTEE REPORT - CONTINUED

PART 3 – REMUNERATION REPORT (AUDITED) - CONTINUED

Equity incentives

There were no grant of options to Directors of the Company during the year ended 31 December 2021.

The following options were granted to Directors of the Company during the six-month period ending 31 December 2020.

The options granted to Non-Executive Directors do not have performance conditions, vest immediately on the date of grant and lapse three years from the date of grant:

	Date of grant	Exercise price (A\$)	Number of options
Sanela Karic	6 November 2020	2.20	1,000,000
			1,000,000

The exercise prices of these options were agreed at the time the awards were proposed to the individual. The options award was subsequently approved by shareholders, as is required by the ASX, at the Annual General Meeting of the Company on 6 November 2020.

There was no grant of performance rights to Directors of the Company during the Period.

The interests in the Company's shares and other securities held by Directors at 31 December 2021 that served during the Period is set out below:

	Number of Ordinary Shares	Percentage of Issued Share Capital	Number of Options	Number of Performance Rights
Paul Cronin	15,101,332	5.68%	5,000,000	-
Peter Bilbe	1,510,000	0.57%	900,000	-
Michael Rawlinson	40,000	0.02%	1,000,000	-
Julian Barnes	1,000,000	0.38%	1,000,000	-
Sandra Bates	-	-	1,000,000	-
Sanela Karic	-	-	1,000,000	-
	17,651,332	-	8,000,000	-
In issue at 31 December 2021	266,073,240		12,212,480	990,000
Percentage held by directors that served during the year	6.63%		65.51%	0.00%

As at 31 December 2021, all options in the table above held by Directors had vested.

Remuneration of the Executive Director

The Company had a single Executive Director during the year and all comparative periods presented being those arising since the Company listed on the London Stock Exchange in 12 December 2019. The Executive Director undertakes the role of Managing Director and Chief Executive Officer (“CEO”).

The total monetary value of remuneration to the CEO was as follows:

(In GBP)	Year ended 31 December 2021	6 months ended 31 December 2020	Year ended 30 June 2020
Cash remuneration:			
Fixed base salary	243,406	106,859	208,158
Variable - Annual STIP bonus	97,437	-	-
Variable – Non-annual KPI bonus	70,000	-	30,000
Value of share awards vested:			
Non-LTIP	1,088,550	-	620,731
LTIP	-	-	-
	1,499,393	106,859	858,889

Maximum opportunity as a percentage of base salary

(In GBP)	Year ended 31 December 2021	6 months ended 31 December 2020	Year ended 30 June 2020
Cash remuneration:			
Variable - Annual STIP bonus ⁽¹⁾	50%	-	-
Variable – Non-annual KPI bonus	28.6%	-	14.4%
Value of share awards vested:			
Non-LTIP	447.2%	-	298.2%
LTIP ⁽²⁾	-	-	-

On-target performance bonus as a percentage of base salary

(In GBP)	Year ended 31 December 2021	6 months ended 31 December 2020	Year ended 30 June 2020
Cash remuneration:			
Variable - Annual STIP bonus ⁽¹⁾	37.5%	-	-
Variable – Non-annual KPI bonus	28.6%	-	14.4%
Value of share awards vested:			
Non-LTIP	447.2%	-	298.2%
LTIP ⁽²⁾	-	-	-

Notes:

1. STIP programme commenced 1 January 2021
2. LTIP programme CEO awards to commenced from 1 January 2023

REMUNERATION & NOMINATIONS COMMITTEE REPORT - CONTINUED

PART 3 – REMUNERATION REPORT (AUDITED) - CONTINUED

Annual STIP bonus in respect of 2021 performance

In recognition of the Executive Director's pre-existing 750,000 unvested performance rights and outstanding cash bonus targets at 1 January 2021, as disclosed earlier in this report, the performance and vesting conditions of which were expected to be achieved during 2021 if the company achieved its stated objectives, Mr. Cronin's maximum opportunity under the STIP was set as 50% of base salary for 2021.

Objectives for the 2021 STIP bonus were set by the Remuneration and Nominations Committee at the beginning of the year and assessment of performance during the year was undertaken at the January 2022 Committee meeting.

Details of the bonus paid to the CEO for 2021, including the specific performance metrics, weightings and performance against each of the metrics, are provided in the table below:

Objective	KPI	Target Weighting	Targets			2021 Assessment	
			Threshold	Target	Maximum	2021 Result	2021 Bonus Score
Global Resource Growth	25,000m drilling and Raska Maiden Resource of at least 10Mt. Excludes acquisitions	15.0%	RMRE < 11MT	RMRE < 12MT	RMRE > 12MT	Maximum	15.0%
FS NPV₈	FS NPV ₈ relative to PFS NPV ₈	17.5%	<=5% lower	<5% - 0% lower	Higher than PFS	Maximum	17.5%
Exploitation Permit	Rupice Exploitation Permit Issued in a timely manner	15.0%	Pre 30/9/21	Pre 31/7/21	Pre 30/6/21	Target	11.25%
OH&S	Refer to Quantity x Severity Matrix	12.5%	<=30	<=20	<=10	Threshold	3.125%
Construction Start	Date of Commencement of Plant Construction	10.0%	1/11/2021 - 31/12/2021	1/9/2021 - 01/11/2021	Pre 1/9/2021	Threshold	2.5%
Project Finance	Implemented with >60% Debt and Cost of Capital Targets including Arrangement Fees over Loan Life	15.0%	>13%	<13% >11%	<11%	Target	11.25%
Staff Satisfaction	The results of a general staff satisfaction survey on a scale of 1-10	10.0%	<7	>7 <8.0	>8	Maximum	10.0%
Diversity	Ensure that at least 20% of all staff and 20% of EL1 and EL2 combined Grading Categories are female	5.0%	>20%	>22%	=>25%	Maximum	5.0%
Bonus payable (as a percentage of the maximum opportunity)							75.6%

The determination of the bonus pay out is at the discretion of the Remuneration and Nominations Committee, taking into account performance during the year against the above scorecard. Each objective in the scorecard has a 'threshold', 'target' and 'maximum' performance target, achievement of which translates into a score for each objective. The bonus scores for each objective are summed which translates into a percentage which is applied to the maximum bonus opportunity.

In 2021, the CEO's on-target and maximum potential STIP bonus was 37.5% and 50% of base salary respectively. The Remuneration and Nominations Committee's actual assessment of the CEO's performance resulted in a STIP bonus of 37.8% of base salary (£97,437) being achieved of which 50% was paid in January 2022 and the remainder deferred until January 2023 to serve as a retention mechanism.

Non-annual KPI bonuses

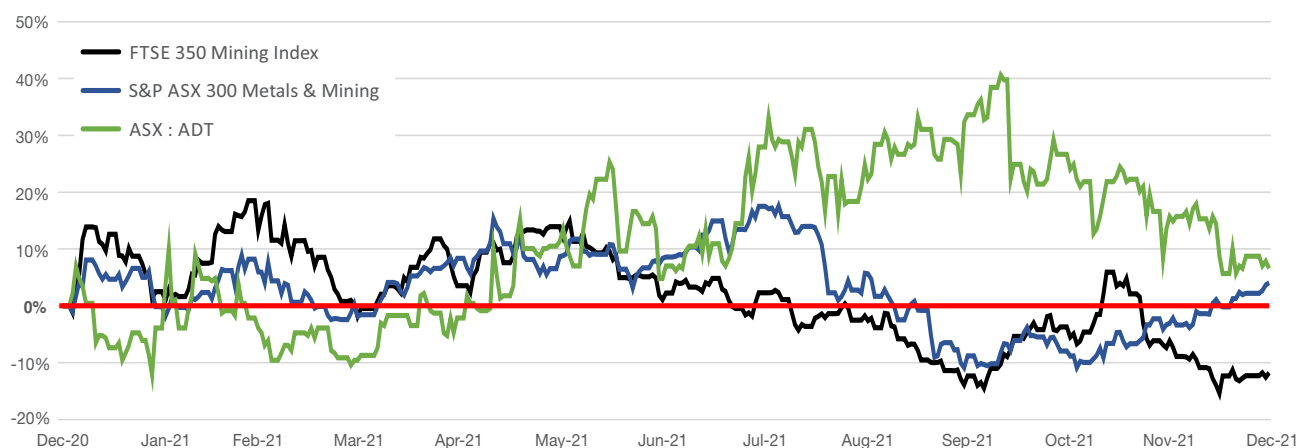
Prior to the implementation of the Company's STIP on 1 January 2021, the Board had set the following KPIs, and accompanying bonus amounts, for Mr. Cronin as follows:

KPI Target (In GBP)	Potential Bonus Amount	Year ended 31 December 2021	Paid during six months ended 31 December 2020	Year ended 30 June 2020
Admission of the Company to the London Stock Exchange	30,000	-	-	30,000
Issue of an exploitation permit for Veovaca	35,000	35,000	-	-
Issue of an exploitation permit for Rupice.	35,000	35,000	-	-
	100,000	70,000	-	30,000

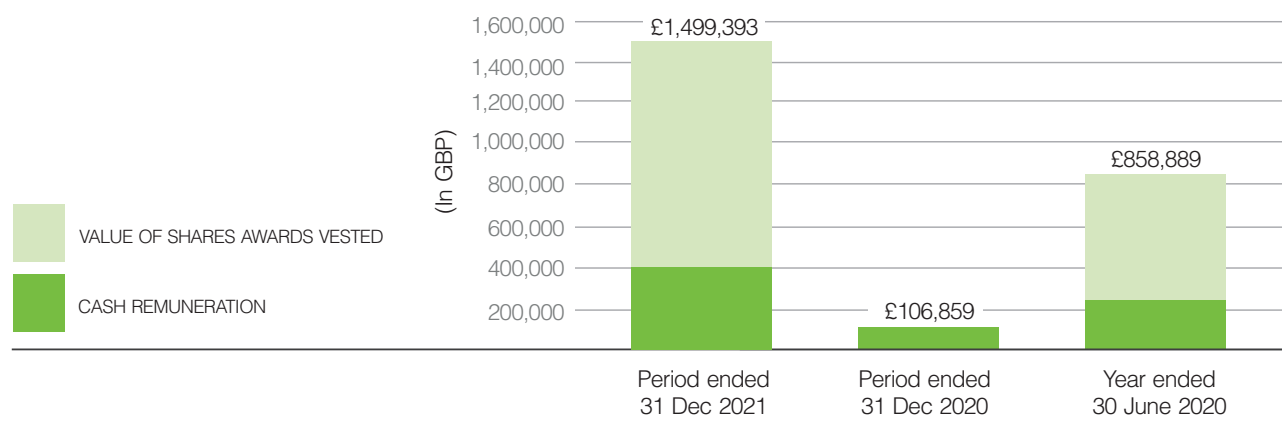
All non-annual KPI bonuses set historically for the CEO have now been achieved and paid. The Company does not intend to set any further non-annual KPI bonus targets for the CEO following the implementation of the Company's annual STIP.

UK performance graph against CEO remuneration

The Directors have considered the requirement for a UK performance graph comparing the Company's relative shareholder return with that of a comparable indicator. The comparable indicators chosen are indexes in similar industry classification on exchanges in which the Group are listed, being the FTSE 350 Mining Index and S&P ASX 300 Metals & Mining. The chart below illustrates the Company's share price performance during the year compared to relevant market indices:



Managing Director and Chief Executive Officer



Cash remuneration for the CEO role increased in 2021 by 92% compared to the annualized six months ended 31 December 2020 and the total monetary value of all remuneration to the CEO increased by 602% compared to the annualized six months ended 31 December 2020.

REMUNERATION & NOMINATIONS COMMITTEE REPORT - CONTINUED

PART 3 – REMUNERATION REPORT (AUDITED) - CONTINUED

Percentage change in remuneration of the Director undertaking the role of CEO

The table below outlines the increase in salary, other pay and benefits and annual bonus for the year ended 31 December 2021 and annualised 6 months ended 31 December 2020 compared to the preceding period for the CEO in comparison to the wider workforce.

Two comparator groups were chosen as the most appropriate comparators as follows:

- A. Staff engaged via the Group's UK or Jersey entities only includes representing senior management and international employees including all other Directors and key management personnel.
- B. All employees of the group including all other Directors, key management personnel.

Average remuneration of the two comparator groups compared to that of the CEO in the current year and previous period were as follows:

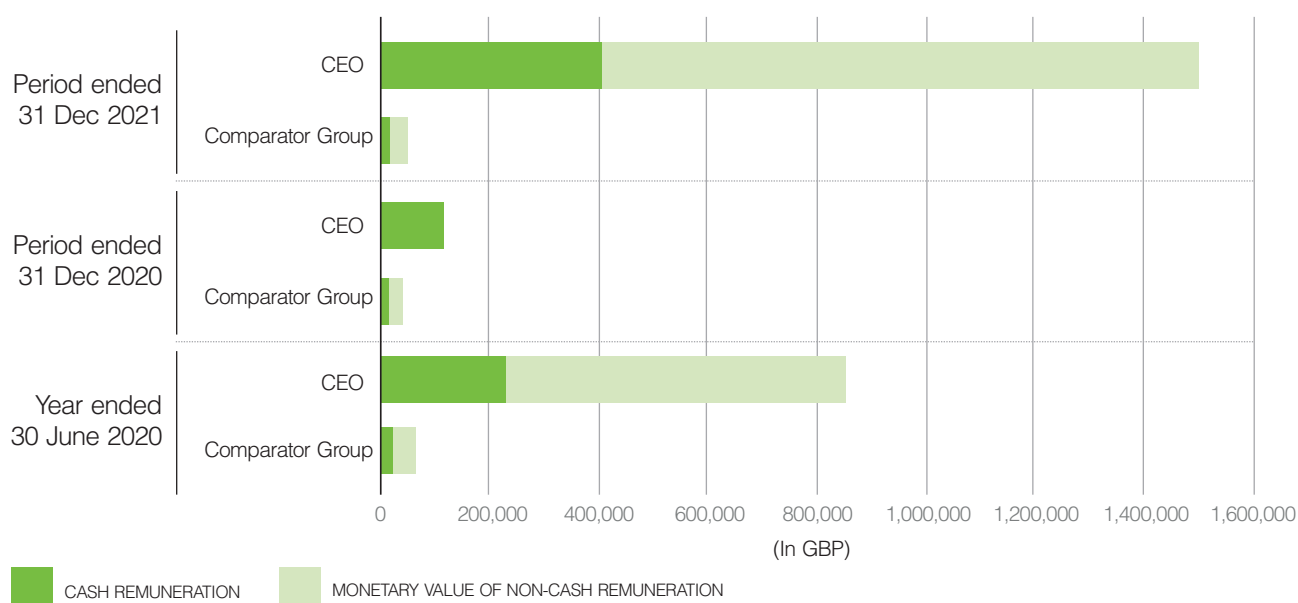
Change in average remuneration	CEO		Comparator group A - Senior management and international employees (excluding CEO)		Comparator Group B - All employees of the Group (excluding CEO)	
	2021 ⁽¹⁾ %	2020 ⁽²⁾ %	2021 ⁽¹⁾ %	2020 ⁽²⁾ %	2021 ⁽¹⁾ %	2020 ⁽²⁾ %
Cash remuneration:						
Fixed base salary	13.9%	2.7%	(29.0%)	(17.9%)	(33.2%)	(13.1%)
Variable - Annual STIP bonus ⁽³⁾	N/A	N/A	N/A	N/A	N/A	N/A
Variable – Non-annual KPI bonus	N/A	(100%)	(100.0%)	N/A	N/A	N/A
Value of share awards vested:						
Non-LTIP ⁽²⁾	N/A	(100%)	(94.5%)	11.6%	(94.9%)	(15.2%)
Total	601.6%	(75.1%)	(75.8%)	4.7%	(71.3%)	(14.6%)

Note:

- 1) Year ended 31 December 2021 compared to the annualised 6 months ended 31 December 2020
- 2) Annualised 6 months ended 31 December 2020 compared to the year ended 30 June 2020
- 3) Variable - Annual STIP bonus increases / decreases not available because the STIP programme commenced 1 January 2021
- 4) LTIP increases / decreases not available because LTIP programme CEO awards to commenced from 1 January 2023

Prior to 2021, the Company's remuneration policy was differentiated from how UK-listed companies normally operate remuneration with a significant proportion of the potential remuneration of the Executive Director being variable and therefore performance related. Performance related pay was not awarded or operated according to a fixed annual or longer period or with fixed parameters applied. This was changed with the introduction of a new annual bonus plan (STIP) for the year ending 31 December 2021 onwards and long-term performance rights awards (LTIP) on an annual basis that commenced on 1 January 2022. As a result, the historic year on year percentage increase or decrease in remuneration is volatile. Average fixed base salary remuneration decreased in both 2021 and 2020 for both comparator groups following an increase in headcount during those periods with new staff being generally less senior than preexisting staff which had the effect of reducing average remuneration.

CEO Remuneration versus Comparator Group



Relative importance of spend on pay

The Directors have considered the requirement to present information on the relative importance of spend on pay compared to other financial metrics.

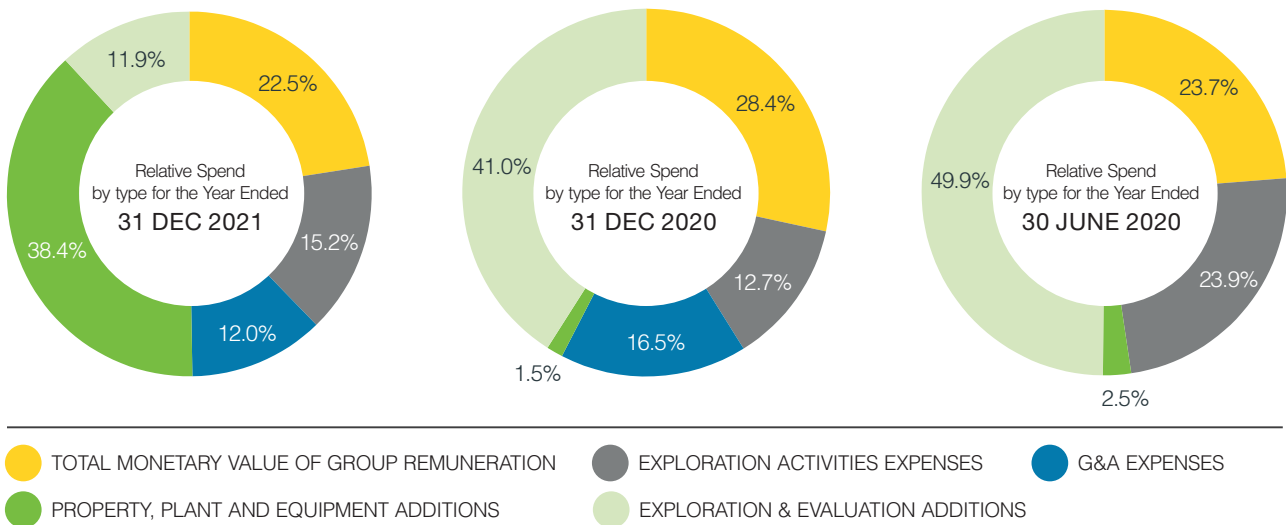
The total monetary value of Group remuneration was as follows alongside the total group general and administration expenses and capex:

(In GBP)	Year ended 31 December 2021	6 months ended 31 December 2020	Year ended 30 June 2021
Cash remuneration	2,814,084	1,030,131	1,299,362
Monetary value of vested share awards	1,451,400	748,834	973,351
Total remuneration	4,265,484	1,778,965	2,272,713
Average number of employees	109	73	39
G&A expenses*	2,269,428	1,088,511	2,288,959
Exploration expenses*	2,880,770	798,028	-
Property, plant and equipment additions	7,264,352	91,022	237,543
Exploration & evaluation capitalised*	2,252,017	2,568,360	4,775,836
Total group general and administration expenses and capex	14,666,497	4,488,792	7,302,338
Grand total	18,931,981	6,267,757	7,302,338
Remuneration as a percentage of G&A expenses and capex	22.5%	28.4%	31.1%

* Adjusted to excluding remuneration

REMUNERATION & NOMINATIONS COMMITTEE REPORT - CONTINUED

PART 3 – REMUNERATION REPORT (AUDITED) - CONTINUED



Advice on remuneration

During the year, h2glenfern Remuneration Advisory provided limited advice to the company in relation to its remuneration report disclosures. Fees of £3,200 exclusive of VAT were paid. h2glenfern Remuneration Advisory is a member of the Remuneration Consultants Group and, as such, voluntarily adheres to its Code of Conduct. The Committee considers the advice that it receives from h2glenfern to be independent.

Other disclosures on remuneration for the year ended 31 December 2021

No payments were made for loss of office during the year. There were no payments during the year to past directors.



REMUNERATION POLICY IN 2022

Following consideration of the remuneration policy review report produced by h2glenfern Remuneration Advisory during 2020, the Company made a number of changes to remuneration for 2021 and subsequent years within the Policy approved in November 2020 which are set out below.

Executive Director's Fixed Remuneration

The fixed remuneration of the Managing Director and Chief Executive Officer at 31 December 2021 was £259,500 p.a. and is expected to remain at that level throughout 2022.

Short Term Incentive Plan (STIP) and 2022 KPIs

Company operates a structured annual, cash based short term incentive plan for the Executive Director, Executive Management, Senior Managers and other eligible staff within the Group. Corporate and personal objectives (KPIs) are set each year and actual performance measured against those KPIs. Each KPI has been given a weighting and the specific performance criteria further split into Low, Expected & High targets, with differing levels of bonus being payable depending on the outcome. The maximum STIP bonus opportunity for the Managing Director and Chief Executive Officer will be 100% of salary.

The STIP KPI targets are designed to ensure they are difficult to achieve, and as such STIP should not be viewed as an extension of base salary and is aligned to key value adding milestones. The target areas for 2022 and their weightings within the bonus are:

Target Area	Weighting
Vares Project delivered on time and on budget	40.0%
Maintaining compliance with permits received	10.0%
Effective integrated Health and Safety systems and procedures minimizing recordable injuries	25.0%
Growing the mineral resource base at our projects in Serbia and Bosnia & Herzegovina	10.0%
Ensure compliance with the Orion Debt Financing covenant requirements	5.0%
Gender diversity in the workplace (excluding contractors)	5.0%
Vares Project Staff satisfaction	5.0%

Further details of the target thresholds are commercially sensitive and will be disclosed together with information on actual performance in each area in our 2022 remuneration report.

The potential maximum percentage of base salary achievable as a bonus under the STIP for the Executive Director, Executive Management, Senior Managers and the split of corporate versus personal objectives as is as follows:

Level	Maximum Percentage of Base salary achievable	Corporate Objectives	Personal Objectives
Managing Director and Chief Executive Officer	100%	100%	-
Executive Management	70%	70%	30%
Senior Managers	30%	50%	50%

2022 STIP bonuses earned are expected to be paid in cash during January 2023.

Long Term Incentive Plan (LTIP)

The Company operates a structured equity based long term incentive plan for the Executive Director, Executive Management, Senior Managers and Managers of the Group. The first grant of performance rights under the LTIP to the Executive Director is expected to occur during the first quarter of 2023, subject to the provisions of the Company's share dealing policy, and grants will be annual thereafter.

It is anticipated that performance rights awards to the CEO will have a value of 100% of salary and performance rights awards to Executive Management will normally be at or around 70% of salary. It is anticipated that 50% of the award will be subject to relative shareholder return performance target and 50% subject to meeting corporate objectives.

The performance rights granted to the Executive Director under the LTIP will vest after three years, subject to the performance targets having been met.

Performance rights granted to Executive Management, Senior Managers and Managers under the LTIP will vest over three years in equal tranches on each anniversary of the grant, subject to the performance targets having been met.

All LTIP awards will be made under either the Company's ESOP 2019 or Option Plan 2019.

Chairperson and Non-Executive Directors

Effective 1 January 2022, the annual base fees payable to each non-Executive Director will increase from £30,000 p.a. to £50,000 p.a. to reflect the growing size, complexity and risks associated with the Group. The role of Chairperson of the Board will attract an additional fee of £50,000 p.a. Directors serving as the chairperson of a board committee will receive an additional fee of £5,000 for each committee that they chair.

Peter Bilbe

Chairman of Remuneration Committee

GROWTH PROSPECTS

DIRECTORS' REPORT

Introduction

In accordance with Section 415 of the Companies Act 2006, the Directors of Adriatic Metals PLC present their report to shareholders for the 12-month financial period ended 31 December 2021. The Directors' Report comprises the Directors' Report section of this report, together with the sections of the Annual Report incorporated by reference. As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in other sections of the Annual Report, as indicated below.

Directors

The names of the Directors who held office during the Period and to the date of this report were:

Michael Rawlinson*
(Chairman)

Peter Bilbe*
(Non-Executive Director)

Paul Cronin
(Managing Director and CEO)

Julian Barnes*
(Non-Executive Director)

Sandra Bates*
(Non-Executive Director)

Sanela Karic*
(Non-Executive Director)

* Determined by the board to be independent in accordance with the Quoted Company Alliance's Corporate Governance Code (QCA Code).

The company secretaries are Geoff Eyre and Gabriel Chiappini (joint).

Results and dividends

The Group results for the year ended 31 December 2021 are set out in the Financial Review on page 56.

The Company's aim is to generate long term value for its stakeholders and design a shareholder distribution policy that reflects the growth prospects and profitability of the Company while maintaining appropriate levels of operational liquidity in due course. However, due to the early-stage nature of the Company and the Vares Project, no interim dividend was paid and no final dividend is recommended for the year ended 31 December 2021.

Share capital

The Company was granted authority at the 2021 AGM to allot shares in the capital of the Company up to a maximum nominal amount of £931,329, (equivalent to 69,736,353 shares) in accordance with Section 551 of the Companies Act 2006. Details of the Company's share capital are set out in note 15b to the Consolidated Financial Statements, including details on the movements in the Company's issued share capital during the Period.

The Company's issued ordinary share capital ranks pari passu in all respects and carries the right to receive all dividends and distributions declared, made or paid on or in respect of the ordinary shares. There are currently no redeemable non-voting preference shares or subscriber shares of the Company in issue.

Directors' and Officers' Insurance

The Company has arranged appropriate Directors' and Officers' insurance to indemnify the Directors and Officers against liability in respect of proceedings brought about by third parties. Such provisions remain in place at the date of this report.

Auditor

BDO LLP (Chartered Accountants) have been Auditors of Adriatic Metals PLC since 2020 and will be proposed for re-appointment at the 2022 Annual General Meeting.

Directors' interests

Information on share ownership, options and performance rights held by Directors can be found in this report and in the Remuneration & Nominations Committee Report.

Substantial shareholdings

The Company's issued share capital as of 31 December 2021 was 266,073,240 ordinary shares and at 29 March 2022 was 266,379,240 ordinary shares with each share carrying the right to one vote. No shares are held in treasury.

At 31 December 2021, the Company had been notified, pursuant to the Financial Conduct Authority's Disclosure Guidance and Transparency Rule (DTR 5), or was otherwise aware of the following substantial interests (3% or more) in the Company's issued share capital.

Shareholder	Number of ordinary shares	Percentage of issued share capital
Helikon Investments	29,435,614	11.06
Orion Asset Management	24,191,000	9.09
Paul Cronin	15,101,332	5.68
Milos Bosnjakovic	14,300,000	5.37
FIL investment	15,806,555	5.90
RBC Wealth Management	10,236,711	3.85
Datt Capital	8,786,101	3.30
Private Clients of Interactive Brokers	8,155,892	3.07
	126,013,205	47.32

As at 15 March 2022, being the latest practicable date before the approval of the Annual Report and Accounts, the Company had not been notified, pursuant to DTR 5 that the above positions had changed.

Changes in interests that have been notified to the Company pursuant to DTR 5 since 15 March 2022 can be found in the Regulatory News section of the Investors page of the Company's corporate website: <https://www.adriaticmetals.com/investors/lse-announcements/>.

Additional disclosures

For the purposes of LR 9.8.4C R, the information required to be disclosed by LR 9.8.4 R can be found in the following parts of this Annual Report:

Section	Matter	Location
(1)	Interest Capitalised	Not applicable
(2)	Publication of unaudited financial information	Not applicable
(4)	Details of long-term incentive scheme	Remuneration Committee Report page 80
(5)	Waiver of emoluments by a Director	Not applicable
(6)	Waiver of future emoluments by a Director	Remuneration Committee Report page 80
(7)	Non pre-emptive issues of equity for cash	Not applicable
(8)	As item (7) in relation to major subsidiary undertakings	Not applicable
(9)	Parent participation in a placing by a listed subsidiary	Not applicable
(10)(a)	Contract of significance in which a Director is interested	Not applicable
(10)(b)	Contract of significance with controlling shareholder	Not applicable
(11)	Provision of services by a controlling shareholder	Not applicable
(12)	Shareholder waivers of dividends	Not applicable
(13)	Shareholder waivers of future dividends	Not applicable
(14)	Agreement with controlling shareholder	Not applicable

Supplier payment policy' The Company's current policy concerning the payment of trade creditors is to follow the Confederation of British Industry's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

Branches

Adriatic Metals PLC does not have any branches of the Company outside of the United Kingdom as defined in s1046(3) of the Companies Act 2006.

Financial risk management and financial instruments

Information regarding the financial risk management and internal control processes and policies and exposure to the risks associated with the financial instruments, can be found in Note 13 of the Consolidated Financial Statements, the Corporate Governance, Risk Management and Internal Control sections on page 26.

DIRECTORS' REPORT - CONTINUED

TCFD Climate Disclosure

Adriatic Metals PLC recognizes that climate change represents one of the most significant challenges facing the world today and supports the goals of the Paris Agreement. Our aim is to minimize our contribution to greenhouse gas emissions, to consider and plan for the physical risks of climate change on our operations and to work with our host communities to build their understanding of their resilience to the physical impacts of climate change.

Compliance with the Task Force on Climate-Related Financial Disclosures (TCFD) is required for periods ended 31 December 2022. In the current year, Adriatic Metals PLC has voluntarily aligned the climate disclosures in this Strategic Report to the four TCFD recommendations as follows:



TCFD Area	TCFD Consideration	Adriatic Metals PLC
GOVERNANCE	Board's oversight of climate risk and opportunities	<p>The ESG Committee of the Board have implemented a Climate Change Policy and monitor the content, effectiveness and implementation of this Policy on a regular basis.</p> <p>Material breaches of this Climate Change Policy will be reported to the Company's Board of Directors (Board) and the ESG Committee of the Board.</p>
	Management's role in assessing and managing climate-related risks and opportunities	<p>Responsibility for the application of this Policy rests with, but is not limited to, all Company employees and contractors engaged in relevant activities under the Company's operational control.</p> <p>The Company's managers are responsible for promoting and ensuring compliance with this Policy and any related individual site-level policies and practices.</p> <p>On the Vares Project, Stakeholder Engagement is well advanced with the implementation of a Stakeholder Engagement Plan (SEP). Several activities, including the establishment of a Public Liaison Committee, provide an invaluable platform for information dissemination.</p>
STRATEGY	Climate-related risks and opportunities the organization has identified over the short, medium, and long run	<p>Assessment has been to consider the way in which the climate is expected to vary over the Life of the Mine based on local projections for Bosnia & Herzegovina. The projections have been used to help undertake a vulnerability assessment as to potential risks to the Project itself from changing climatic patterns.</p> <p>The most significant potential climate vulnerabilities are considered to relate to increased temperature and increased snowfall. Increased peak temperatures could adversely affect the workforce (through dehydration, heat stroke etc.) and cause plant and machinery to overheat. Since most of the project area is surrounded by forestry, increased temperatures may result in increased risk of forest fires. Consideration will be needed to ensure explosive stores and fuel stores are safely maintained at higher temperatures and fire risk will need to be routinely monitored, with active steps to remove possible fuel and ignition sources, particularly during intense periods of dry weather.</p>

TCFD Area	TCFD Consideration	Adriatic Metals PLC
STRATEGY	Impact of climate-related risks and opportunities on businesses, strategy, and financial planning	<p>The main sources of Green House Gas (GHG) emissions have been associated with the Project, namely due to fuel combustion and electricity usage. GHG emissions have already been reduced through the design of the Project as follows:</p> <ul style="list-style-type: none"> • Minimising the land clearance for project facilities; • Adopt mitigation strategies for preserving integrity of soil stockpiles • Minimise tree felling (only trees needing to be removed for safety reasons above the haul road will be felled) • Providing improved building fabrics for buildings to minimise heat losses as well as reducing noise impacts; • The use of modern, energy, efficient electrical equipment, and mobile plant with fuel-efficient engines; and • In 2021 we installed a 23kW solar facility on the roof of the Tisovci administration building for direct use to our existing electricity usage. <p>GHG mitigation opportunities are also being explored further as the Project design is advanced and operational activities are further developed. These include:</p> <ul style="list-style-type: none"> • Although haulage works are likely to be undertaken by contractors, consideration will be given to the choice of vehicles used for both the mine fleet and the haulage fleet. Where possible fuel efficiency will be a factor in the selection of vehicles as this will not only reduce GHG emissions but also reduce operating costs. There is currently considered to be limited potential for the use of biodiesel to help reduce emissions however the Project will continue to monitor potential options; • In addition to the efficiency of the fleet itself, opportunities will be sought for improving the use of the vehicles. Scheduling of excavation and haulage activities to optimise activities and avoid double handling, where this is operationally practical. As the mine logistic and scheduling are progressed, consideration will be given to the optimisation of vehicle and equipment movements to improve efficiency and reduce overall CO₂ emissions; and • The upgrading of energy-intensive machinery over time will be used to improve efficiency and reduce CO₂ emissions compared to plant that has been removed. Further energy efficiency opportunities will also be investigated.
	Resilience of strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	<p>Although overall precipitation rates are expected to decrease, higher intensity events may occur and increased temperatures in winter mean that snowfall melts more quickly than was previously the case and this, in turn, could increase the risk of flooding. The design of both Rupice and Vares Processing Plant allows for accommodating drainage and storage from intense stormwater events. However, the haul road may be at increased risk of surface damage, wash outs and landslides.</p>

DIRECTORS' REPORT - CONTINUED

TCFD Climate Disclosure - Continue

TCFD Area	TCFD Consideration	Adriatic Metals PLC
RISK MANAGEMENT	Processes for identifying and assessing climate-related risks.	<p>The Environmental and Social Impact Assessment (ESIA) for the Vares Project commissioned by the Group and completed with international consultants Wardell Armstrong.</p> <p>The impact assessment considered the Vares Project baseline and identifies potential sources of impact from across the mine life (construction, operation and closure). An assessment of the magnitude of impact is then made and methods of avoidance, mitigation and management and determined to limit the environmental and social impacts arising as a result of the Vares Project development.</p> <p>Climate change impacts are considered from two environmental perspectives, the impact of the Vares Project on the climate and the effect of global change on the Project.</p> <p>On the Raska Project, a programme of exploration work is ongoing, identifying and assessing climate related risks will be undertaken as part of the future Scoping Study stage of the Project.</p>
	Processes for managing climate-related risks.	<p>An Environmental and Social Management System (ESMS), which guides the implementation management and monitoring of the mitigation and management methods identified in the ESIA, have been developed by Eastern Mining. The ESMS comprises of corporate policies, the ESIA, and environmental and social management plans and action plans.</p>
	Processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management.	<p>The ESIA has been developed alongside and in close collaboration with the Feasibility Study for the Project. This means that environmental and social aspects have been integrated into the overall design, avoiding many potential significant adverse impacts.</p> <p>See table below for environmental risks identified and the mitigating steps taken.</p>

Wardell Armstrong Impact Assessment – Environmental Aspect

Adriatic Metals PLC

GLOBAL WARMING	<p>Over the next 20 years, precipitation rates are expected to vary slightly, and temperatures are expected to rise 1-2°C throughout every month of the year. This could have significant consequences in terms of increasing rainfall runoff in winter (rather than snowfall), increasing flooding events from snow melt, increasing risk of landslides, and increasing the chances of heatwaves and fire risks during summer.</p>	<p>Review procedures will be in place to assess the risks associated with these changes across the life of the mine, ensuring they are actively managed. The design of both Rupice and VPP allows for accommodating drainage and storage from intense rainfall (stormwater events)</p>
SOIL	<p>The soils impact assessment considers both natural soils and contaminated soils within the Project area. Contamination is prevalent within the site of the Vares Processing Plant, attributable to the previous period of mining and required specific handling and disposal procedures. Elsewhere stripping and stockpiling of soils will be required for the development of infrastructure.</p>	<p>To reduce soil degradation, including loss of bulk soil reserves and loss of soil structure, all works involving the extraction, handling, moving and storage will be undertaken following appropriate soil handling guidance. To address those Soil, Contaminated Land and Erosion Control Management Plan is developed.</p>

<p>BIODIVERSITY</p>	<p>Biodiversity desk-based and field based studies were undertaken by Zenica Institute, BiH, in accordance with EBRD PR6. There are no protected areas within the Project area or anticipated to be impacted by the Project. Work has been undertaken to ensure the Project avoids critical habitat as far as feasibly possible including the re-routing of the Project haul route to avoid <i>Nardus stricta</i> rich grassland. Several habitats have been identified within the Project affected area, namely Acidophilic spruce forests of hilly to mountainous belt (<i>Vaccino-Piceetea</i>), Alpine river and their ligneous vegetation with <i>Salix elaeagnos</i>, water courses from plateaux to the mountainous belt with <i>Ranunculum fluitantis</i> and <i>Callitricho-Batrachion</i> vegetation, Mountain hay meadows, and Hydrophilous tall herb fringe communities of plains and of the montane alpine levels. These habitats are deemed Priority Biodiversity Features, as per EBRD's PR6 on Biodiversity and thus some offset is required in order achieve no-net-loss.</p>	<p>Several species were identified in the Project area triggering the presence of Critical Habitat, as per EBRD PR6. The EU Annex IV yellow bellied toad, Greek frog, green toad and agile frog were found in several water course in the region. The Zagarski stream, along the route of the planned haul road contains some of these species and will be directly impacted by road construction. Adriatic Metals have committed to transplanting the amphibian species to newly installed ponds, as well as to remediate and manage an appropriate stretch of degraded river as an offset.</p> <p>A Biodiversity Action Plan (BAP) has been developed defining the management, mitigation and offsets required for Project development. Adriatic Metals are committed to implement the BAP and assign the agreement with the Vares forestry commission to determine the implementation of the BAP. Other authoritative bodies will be included in implementation.</p>
<p>AIR QUALITY</p>	<p>Ambient air quality in the region is compromised with multiple high readings either close to or exceeding national and World Health Organisation (WHO) standards, for dust and SO₂. Exceedances are largely due to the prevalence of wood burning for domestic heating and cooking as well as the operation of industrial sawmills in the region. Metal concentrates in dust are high and exceed the national standards.</p>	<p>To minimise additional impacts to the ambient air quality, measure will be in place during Project construction, operation and closure. Good International Industry practices (GIIP) will be followed and dust suppression will take place through spraying of water at key source of emission (crushing circuit and on haul route in dry periods). An Air Quality and GHG Management Plan has been developed, defining the potential risks to air quality, which are related to project activities, and to consider and determine protection measures that would prevent or mitigate negative impacts.</p>
<p>NOISE AND VIBRATIONS</p>	<p>The rural nature of the region means that ambient noise in the Project area is extremely low and, for the most part, far below applicable standards.</p>	<p>Noise modelling was undertaken early in the Feasibility Study and ESIA process to ensure that noise impacts were avoided as far as possible within the Project Design. Most notably, this focussed on the Vares Processing Plant site and resulted in the movement of the primary crushing circuit from this site to Rupice, where these are minimal receptors. Further mitigation has been incorporated into the Project design, both at the Plant Site and along the haul route, and ongoing monitoring, mitigation and management is defined in a Noise and Vibration Management Plan.</p>

DIRECTORS' REPORT - CONTINUED

TCFD Climate Disclosure - Continue

Wardell Armstrong Impact Assessment – Environmental Aspect

Adriatic Metals PLC

REACTIVITY	Reactivity domains were characterised from the geochemical baseline to identify materials that are likely to be potentially acid generating or potentially neutralising across the life of mine.	Results of various testing have shown that the prevalence of dolomite and other carbonate rock in the area, together with the limited and spatially understood occurrence of potentially acid generating (PAG) material, it is unlikely that ARD will be a significant risk for the Project and can be managed.
WATER	Several watercourses are found adjacent to or within Project activity areas at Rupice, Vares Processing Plant and along the haul route. A baseline collection programme was designed to assess hydrological and hydrogeological conditions within the Rupice and VPP concessions.	Mitigation has largely been incorporated into the Project design to avoid impacts where possible. To address potential adverse effects in regard to water the following has been implemented: no discharge effluent from Vares Processing Plant; site wide drainage and settlement ponds where required, active treatment of contact water contaminated by acid rock drainage (ARD); and the implementation of a Water and Wastewater management Plan. Residual impacts to surface water and groundwater are not expected to be significant with these measures in place.

TCFD Area	TCFD Consideration	Adriatic Metals PLC
METRICS AND TARGETS	Metrics used by the organization to assess climate related risks and opportunities in line with its strategy and risk management process	The predicted scope 1 and scope 2 emissions for the Project are estimated AT 556,862 tCO ₂ e equating to only 2.67% of the embodied Scope 1, 2 & 3 emissions that would be expected for this quantity of metal production, were it to be produced elsewhere from a typical source. It is concluded that, although emissions are significant in absolute terms, in relative term per unit of metal recovered they are not considered significant. Adriatic Metals have integrated several methods of improving energy efficiency into the overall design and operation of the Vares Project.
	Scope 1, Scope 2 greenhouse gas (GHG) emissions, and the related risks	Adriatic Metals is committed to developing systems during mine construction and commissioning to measure and report our scope 1 and 2 greenhouse gas emissions, see below for disclosure of emissions during the twelve months ending 31 December 2021.
	Targets used by to managed climate-related risks and opportunities and performance against targets.	Total GHG Emissions during the Life of Mine have been estimated shown in table below as presented in ESIA Report.

DIRECTORS' REPORT - CONTINUED

TCFD Climate Disclosure - Continue

Summary of Total GHG Emissions during the Life of Mine

	CO ₂ tonnes	CH ₄ tonnes	N ₂ O tonnes	CO ₂ e ⁽ⁱⁱ⁾ tonnes
Scope 1				
Tree Felling at Rupice & TSF	N/A	N/A	N/A	18,494.93
Rupice Underground	40,861.86	2.29	15.77	45,105.31
Rupice Surface	46,857.10	2.62	18.09	51,723.16
VPP Operations	6,149.97	0.34	2.37	6,788.63
Ore haulage	7,490.96	0.42	2.89	8,268.88
Tailings haulage	6,448.74	0.36	2.49	7,118.43
Container transport to Rail	18,830.31	1.05	7.27	20,785.81
Explosives	N/A	N/A	N/A	1,104.32
Staff Bus Service	N/A	N/A	N/A	9,403.06
Scope 2				
Rupice Electric Load	N/A	N/A	N/A	85,884.59
VPP Electric Load	N/A	N/A	N/A	320,680.09
Total Scope 1 & Scope 2				575,357.22

Notes:

- i. CO₂, CH₄, N₂O, emissions have been estimated based on IPCC National Inventory Methodology, Volume 2, Chapter 1 and IFC's Carbon Emissions tool
- ii. (CO₂e emissions were estimated based on a global warming potential of 1, 28 and 265 for CO₂, CH₄ and N₂O, respectively (IPCC AR5, 2015).

DIRECTORS' REPORT - CONTINUED

Greenhouse Gas Emissions

The Group have assessed their energy fuel consumption and have determined that energy consumption is above the 40 MWh threshold set by the SECR for reporting for the first time in the comparative period, and as such the group reports its greenhouse gas on an annual basis in kg of carbon dioxide equivalent resulting from:

- the combustion of fuel (direct Scope 1 emissions)
- and that resulting from the purchase of electricity (indirect Scope 2 emissions).

The kg Emissions for the year ending 31st December 2021 are as follows:

Emissions - kg CO ₂ (t'e)	Year ending 31 December 2021			Year ending 31 December 2020		
	UK	Non UK	Total	UK	Non UK	Total
Scope 1	-	119,654	119,654	-	45,025	45,025
Scope 2	1,815	161,146	162,961	2,028	50,677	52,705
Total	1,815	280,800	282,615	2,028	95,702	97,730
Per headcount (average 12m)			2,593			1,278
Average Headcount			109			77

The equivalent energy consumption in kWh for the above emissions for the twelve months ending 31st December 2021 are as follows:

Energy Consumption - kWh	Year ending 31 December 2021			Year ending 31 December 2020-		
	UK	Non UK	Total	UK	Non UK	Total
Energy consumption	8,550	738,388	746,938	8,700	266,020	274,720

The Group have installed solar panels on the roof of the Vares offices in Bosnia & Herzegovina to offset its energy consumption, energy generation for the twelve months ending 31st December 2021 is as follows:

Energy Consumption - kWh	Year ending 31 December 2021			Year ending 31 December 2020-		
	UK	Non UK	Total	UK	Non UK	Total
Energy generated	-	16,010	16,010	-	-	-

Methodology

Our greenhouse gas emissions have been calculated on an average headcount employee ratio.

This intensity metric is the best measure available to the Group given the geographical diversity of the operations and with the Group not yet in production phase with its Projects.

This is the first year the Group have calculated our Scope 1 and Scope 2 GHG emissions and worked alongside SCS to assist with our carbon emissions reporting. This supports greater transparency and accuracy of data.

Emissions have derived from accurate consumption information on utility bills and fuel expenditure.

GHG emissions have been calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), using the location-based method on the Scope 2 calculation method together with the latest emission factors from recognised public sources in the various jurisdictions the group operates.

In addition, the Groups carbon emissions disclosure has been undertaken in accordance with the Companies Act 2006.

Political donations

Neither Adriatic Metals PLC nor its subsidiaries have made any political donations during the period.

Powers of Directors

Subject to the Company's Articles of Association, UK legislation, ASX Rules and to any directions given by special resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company. The Articles of Association contain specific provisions concerning the Company's power to borrow money and also provide the power to make purchases of any of its own shares.

The Directors have the authority to allot shares or grant rights to subscribe for or to convert any security into shares in the Company. Further details of the proposed authorities are set out in the Notice of the AGM.

Going concern

The Group incurred a loss in the period of £10,388,893 (31 December 2020 - £5,694,503). However, the Group also had a net asset position at the balance sheet date of £113,540,984 (31 December 2020 - £46,512,225).

The Vares Feasibility Study as completed in August 2021 with Project NPV of US\$1.1 billion and build cost of US\$168.2 million. Equity raise successfully closed on 29th October 2021 and Orion debt documents were executed with the aim of providing the Group with sufficient funds to complete the Vares mine construction and ongoing owner costs until production commences in Q2 FY23 and the business becomes self-sustaining from cash flows from operations.

Definitive documentation executed for the US\$142.5 million Project Finance Debt Package with Orion announced on 10 January 2021, currently undrawn. Debt-Service Coverage Ratio (DSCR) covenant is included in the finance package and will apply commencing 3 months post the first repayment date, required to be above 1.25x level and tested on a quarterly basis.

Refreshed budget show that substantial headroom remains based on assumption debt documents are agreed in line with term sheet on 12-month view as funding in place to cover the approximately 18 month build and bring the Vares project into production. Longer term substantial headroom exists over the 1.25x DSCR covenant, forecasted DSCR as follows:

	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Dec-25
DSCR	3.9	5.0	4.9	4.8	4.7	4.6	5.8

Analysis regarding sensitivities have been considered simultaneously as slippage delay to commencement of production up to 10% increase in build costs.

Cash flow forecasts prepared indicate that the Company has sufficient cash resources to continue in operation for a period in excess of 12 months from the date of signing the Consolidated and Parent Company Financial Statements. The Directors therefore believe there is not a material uncertainty regarding going concern and that it is appropriate to prepare the financial statements on a going concern basis.

Post balance sheet events

Please refer to note 25 in the Consolidated Financial Statements for a detailed report on major events that occurred after 31 December 2021.

Likely future developments

Project development is accelerating, having recently commenced construction activities. The company is in negotiations with off-takers for the sale of our silver-lead and zinc concentrates.

Annual General Meeting (AGM)

The date and location of the 2022 AGM will be announced in due course. At the AGM, shareholders will have the opportunity to put questions to the Board, including the Chairs of the Board Committees.

Full details of the AGM, including explanatory notes, will be contained in the Notice of the AGM, which will be distributed at least 28 days before the meeting. The Notice will set out the resolutions to be proposed at the AGM and an explanation of each resolution. All documents relating to the AGM will be available on the Company's website at www.adriaticmetals.com.



DIRECTORS' REPORT - CONTINUED



Corporate Governance Statement

The Disclosure Guidance and Transparency Rules (DTR 7.2) require certain information to be included in a Corporate Governance Statement set out in a Company's Directors' Report. In common with many companies, Adriatic Metals PLC has an existing practice of issuing, within its Annual Report, a Corporate Governance Report that is separate from its Directors' Report.

Electronic communications

A copy of the 2021 Annual Report, other corporate publications, reports and announcements are available on the Company's website at the following link: www.adriaticmetals.com. Shareholders may elect to receive notification by email of the availability of the Annual Report on the Company's website instead of receiving paper copies.

Share rights

Without prejudice to any rights attached to any existing shares, the Company may issue shares with rights or restrictions as determined by either the Company by ordinary resolution or, if the Company passes a resolution, the Directors.

Voting rights

There are no other restrictions on voting rights or transfers of shares in the Articles other than those described in these paragraphs. Details of deadlines for exercising voting rights and proxy appointment will be set out in the Notice of the 2022 AGM.

At a general meeting, subject to any special rights or restrictions attached to any class of shares on a poll, every member present in person or by proxy has one vote for every share that he or she holds. All substantive resolutions at a meeting of security holders are decided by poll rather than by a show of hands.

A proxy is not entitled to vote where the member appointing the proxy would not have been entitled to vote on the resolution had he or she been present in person. Unless the Directors decide otherwise, no member shall be entitled to vote either personally or by proxy or to exercise any other right in relation to general meetings if any sum due from him or her to the Company in respect of that share remains unpaid.

Additional information relating to holders of shares in the Company in the form of CHESS Depositary Instruments (CDIs) can be found in the Additional Information section of the Annual Report.



Transfer of shares

The Company's Articles provide that transfers of certificated shares must be effected in writing, and duly signed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect of those shares. Transfers of uncertificated shares may be effected by means of CREST unless the CREST Regulations provide otherwise.

The Directors may refuse to register an allotment or transfer of shares in favour of more than four persons jointly.

Statement of disclosure to the Auditor

Each of the Directors who were members of the Board at the date of the approval of this report confirms that:

- So far as they are aware, there is no relevant audit information of which the Company's Auditors are unaware.
- He or she has taken all the reasonable steps that he or she ought to have taken as a Director to make him or herself aware of any relevant audit information and to establish that the Company's Auditors are aware of the information.

The confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The Adriatic Metals PLC Directors' Report has been prepared in accordance with applicable UK company law and was approved by the Board on 29 March 2022.

By order of the Board

Geoff Eyre

Chief Financial Officer and Joint Company Secretary

ROBUST FINANCIAL REPORTING

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group and Company Financial Statements prepared in accordance with UK adopted international accounting standards. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for Standard List companies.

In preparing these Financial Statements, the Directors are required to:

- prepare a director's report, a strategic report and director's remuneration report which comply with the requirements of the Companies Act 2006
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial Statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

DIRECTORS' RESPONSIBILITIES PURSUANT TO DTR4

The Directors confirm to the best of their knowledge:

- The Group's financial statements have been prepared in accordance with UK adopted international accounting standards and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and the parent Company, together with a description of the principal risks and uncertainties that they face.

FINANCIAL STATEMENTS

Independent Auditor's Report to the Members of Adriatic Metals PLC

Consolidated Statement of Financial Position

Consolidated Statement of Comprehensive Income

Consolidated Statement of Changes In Equity

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

Parent Company Statement of Financial Position

Parent Company Statement of Changes in Equity

Parent Company Statement of Cash Flows

Notes to the Parent Company Financial Statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADRIATIC METALS PLC

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

We have audited the financial statements of Adriatic Metals Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of changes in equity, the consolidated and parent company statements of cash flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit and risk committee.

Independence

Following the recommendation of the audit and risk committee, we were appointed by the Board of Directors on 28 May 2020 to audit the financial statements for the period ending 30 June 2020 and subsequent financial periods. The period of total uninterrupted engagement including tenders and reappointments is 2 years, covering the period ended 30 June 2020 and year ended 31 December 2021. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We agreed the opening cash position used in the cash flow forecast to the audited position at 31 December 2021. This cashflow forecast started from March 2022, and covered more than 12 months from the date of these financial statements.
- We performed an accuracy check on the mechanics of the cash flow forecast.
- We assessed the Directors financial forecasts prepared for a period of at least 12 months from the date of these financial statements. This included consideration of the reasonableness of key underlying assumptions by reference to current development expenditure relating to the Vares Project, commitments on the exploration assets and any potential impact of macro-economic factors, including inflation and supply chain issues, on the financial position of the Parent Company and Group over the going concern review period.
- We corroborated the Directors' assessment of future committed expenditure on the Vares development asset to construction costs noted within the DFS and to open purchase orders and key construction contracts. For all other exploration assets, we have corroborated committed expenditure to the terms of the licenses. We have considered whether it is reasonable that the Group has control over the timing of these cash flows over the going concern review period.
- We obtained an understanding of the Directors' options for future fundraising that would be required to meet the Group's discretionary exploration spend and assessed reasonableness of these options based on past success. We have also challenged management over any substantive terms or clauses preventing potential drawdowns on existing financing arrangements. We have sought and obtained management representation in this regard.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage¹

99% (2020: 99%) of Group loss before tax
97% (2020: 90%) of Group total assets

Key audit matters

	2021	2020
Carrying value and impairment of exploration and evaluation assets, and license compliance	Yes	Yes
Going concern	No	Yes
Acquisition of the Tethyan Group	No	Yes
Valuation of subsidiary investment balances in the Parent Company accounts	Yes	No

Going concern is no longer considered to be a key audit matter because there was a successful equity raise within the year as disclosed in Note 2c. The Group is now fully funded to production from the Vares Silver Project therefore going concern has not been raised as a key audit matter for the current financial year.

Acquisition of the Tethyan Group is no longer considered to be a key audit matter as the the acquisition took place in the prior year. As such the key estimates and judgments related to this transaction were resolved in the prior period.

1. These are areas which have been subject to a full scope audit by the group engagement team

Materiality

Group financial statements as a whole

£900,000 (2020: £900,000) based on 1.5% (2020: 1.5%) of adjusted total assets.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

In approaching the audit, we considered how the Group is organised and managed.

We assessed there to be three significant components being the Parent Company, Adriatic Metals Plc, Eastern Mining d.o.o, which is the holder of the mining licences pertaining to the Veovaca and Rupice assets in Bosnia & Herzegovina and Ras metals d.o.o, an entity which owns two exploration licenses over the Kizevak and Sastavci silver-zinc-lead mines in the Raska district of South-western Serbia. The Parent Company and Ras metals d.o.o were subject to a full scope audit by the group auditor. A full scope audit for group reporting purposes was performed by a BDO network firm in Bosnia & Herzegovina on Eastern Mining d.o.o with the Group audit team also performing specific procedures on all significant risk areas.

The financial information of the remaining non-significant components were subject to analytical review procedures, performed by the Group auditors.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

A planning meeting was held remotely with the component auditor and detailed group reporting instructions for the testing of the significant areas were sent to them. The group reporting instructions also included specific reference to required ISA (UK) procedures covering fraud and irregularities, and also detailed the materiality to which Group reporting procedures were to be performed to. We visited the component auditor offices and held a face to face meeting with the audit partner discussing the results of procedures over key risk areas, any issues encountered as part of the audit, and any control or governance best practice findings arising as a result of the local fieldwork. We also reviewed the audit files remotely and discussed the findings with the component audit team and component management

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADRIATIC METALS PLC - CONTINUED

Key audit matter		How the scope of our audit addressed the key audit matter
<p>Carrying value and impairment of development, exploration and evaluation assets, and license compliance</p> <p>The Group's exploration and evaluation assets ('E&E assets') per Note 9 of the financial statements represent the most significant asset on the consolidated statement of financial position. As at 31 December 2021, £24,456,506 (31 December 2020: £36,479,724) of costs had been capitalised in relation to exploration activity. A further £21,022,514 (31 December 2020: £nil) was capitalized and reclassified as a development asset at the point of completion of the Definitive Feasibility Study.</p>	<p>Management and the Board are required to assess whether there are any potential impairment triggers which would indicate that the carrying value of the assets at 31 December 2021 may not be recoverable.</p> <p>Specifically Management has determined that commercial feasibility with the Vares project was reached on successful publication of a Definitive Feasibility Study and raising sufficient funding to move into construction. In line with the Group's accounting policy the asset has been moved into Property, Plant and Equipment, Management are required to test the assets for impairment in accordance with IAS 36. Management's impairment assessment is underpinned by the DFS.</p> <p>Additionally, with regards to the Group's other Exploration and Evaluation assets adhering to the specified terms of the Group's exploration licences in Bosnia & Herzegovina and Serbia and keeping them in good standing is paramount to the continuance of further exploration work. Should specified terms not be adhered to, in the worst instance, the rights to further develop the assets could be withdrawn, which consequently, would impact carrying values.</p> <p>Given the materiality of the development assets and E&E assets in the context of the Group's statement of financial position, and the significant judgement involved in making the impairment assessments, we have considered this to be a key audit matter.</p>	<p>Our specific audit testing in regard to this included:</p> <p>Obtaining an understanding of management's expectation of commercial viability, inspecting any supporting technical documentation and discussing results and operations with Management. Specifically, we reviewed the independent competent persons reports compiled on both the Vares, Rupice and Veovaca projects.</p> <p>Holding discussions with the Group's aforementioned independent expert to understand and challenge the key estimates and judgements that support the DFS and underpin management's assessment of commercial viability, as well as assessing their competence, objectivity and independence.</p> <p>Reviewing and challenging inputs to and assertions made in management's and the Board's impairment model for Vares project development assets, underpinned by the DFS prepared by the aforementioned independent expert.</p> <p>Inspecting approved budget forecasts and minutes of board meetings to confirm whether or not the Group intended to continue to explore the project areas, and ensuring short term spend commitments and intentions were consistent with the going concern forecast used in management's assessment.</p> <p>Reviewing and challenging inputs to and assertions made in management's and the Board's impairment model for Vares project development assets, underpinned by the DFS prepared by the aforementioned independent expert.</p> <p>Visiting the Vares project to enhance our understanding and corroborate explanations provided during the audit of the key estimates and judgements applied to the impairment assessment.</p> <p>Verifying the licence status, through review of key terms in the licenses to confirm legal title and terms of use, inquiring with key local management personnel regarding compliance with the license terms and also considering evidence obtained during our site visit.</p> <p>Verifying a sample of additions to E&E assets to supporting documentation and checking those expenses and items capitalized meet the relevant capitalization criteria in line with the applicable accounting standards.</p> <p>Reviewing exploration activity undertaken on the Group's other assets, to assess whether there was any evidence from exploration results to date which would indicate a potential impairment.</p> <p>Key observation</p> <p>Based on the procedures performed, we found the judgement and estimates made by management with regards to the carrying value and impairment of development and exploration and evaluation assets, and with regards to the compliance with license terms, to be reasonable.</p>

Key audit matter

How the scope of our audit addressed the key audit matter

Valuation of subsidiary investment balance in the Parent Company accounts

The total carrying value of investments is £42,217,078 including an investment in the Tethyan Resource Corp group of £22,678,884 and Adriatic Metals Holdings BiH Limited of £19,536,008.

Judgement is required in determining whether the investments are recoverable.

The recoverability of the investments are intrinsically linked to the successful development of the underlying development and exploration assets as the main assets held in the subsidiaries' investments is that of the development and exploration licence.

For early stage projects where the technical feasibility and viability are being assessed, Management are required to consider a number of non-financial elements in deciding whether an indicator of impairment exists.

In this scenario, the assets underpinning the investments are pre-production and therefore there are continued risks pertaining to the successful development of the Vares project which has entered its development stage following the determination of commercial viability in line with the DFS, as well as the assessment of the commercial viability of the Group's other exploration assets.

Our specific audit testing in regard to this included:

Reviewing Management's impairment indicator assessment of the underlying development and exploration assets. Please refer to the KAM above for further details.

Reviewing the terms and conditions of the signed shareholder agreement in place, and confirming that the Parent Company still holds the shares in the subsidiary.

Comparing current market capitalization to the carrying value of the company's Statement of financial position, noting that the former is significantly greater than the latter.

Key observation

Based on the procedures performed, we found the judgement and estimates made by management in their valuation of the investments held in subsidiaries are reasonable.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADRIATIC METALS PLC - CONTINUED

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021 £	2020 £	2021 £	2020 £
Materiality	900,000	900,000	360,000	310,000
Basis for determining materiality	1.5% of total assets, adjusted for amounts received as part of the equity raise in the current year not yet utilised.	1.5% of total assets	40% of group materiality	35% of group materiality
Rationale for the benchmark applied	The materiality has been based on total assets as the Group is in the exploration and development phase of its operations and is not revenue generating or profit making. We consider total assets to be one of the principal considerations for users of the financial statements. Total assets was adjusted to remove the one off effect of equity amounts raised during the current year.	The materiality has been based on total assets as the Group is in the exploration and development phase of its operations and is not revenue generating or profit making. We consider total assets to be one of the principal considerations for users of the financial statements.	Capped 40% (2020: 35%) of Group materiality given the assessment of the components aggregation risk.	
Performance materiality	580,000	580,000	230,000	200,000
Basis for determining performance materiality	65% of materiality. In reaching our conclusion on the level of performance materiality to be applied we considered a number of factors including the expected total value of known and likely misstatements (based on past experience), our knowledge of the group's internal controls and management's attitude towards proposed adjustments.			

Component materiality

We set materiality for each component of the Group based on a percentage of between 40% and 60% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £360,000 to £540,000. In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit and Risk Committee that we would report to them all individual audit differences in excess of £18,000 (2020: £18,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none">• the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and• the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report</p>
Directors' remuneration	<p>In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>
Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none">• adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or• the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or• certain disclosures of Directors' remuneration specified by law are not made; or• we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADRIATIC METALS PLC - CONTINUED

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Holding discussions with management and the audit and risk committee to understand the laws and regulations relevant to the Group and its components. We considered the significant laws and regulations to be the elements of the financial reporting framework, tax legislation, mining laws, LSE listing rules and ASX listing rules, QCA corporate governance code and environmental regulations. We have engaged with relevant auditor and management experts where required to assess compliance with these laws and regulations;
- Communicating and subsequently reviewing specific procedures performed by the component auditors to address the risk of irregularities and fraud as well as potential non-compliance with applicable laws and regulations;
- Holding discussions with management and the audit and risk committee regarding their knowledge of any known or suspected instances of non-compliance with laws and regulations or fraud;
- Reviewing minutes from board meetings of those charges with governance and RNS announcements to identify any instances of non-compliance with laws and regulations;

We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered the fraud risk areas to be the inappropriate capitalization of expenses into exploration and evaluation assets, and management override of controls.

Our procedures in addressing these risks included:

- Testing appropriateness of journal entries made throughout the period which met a specific risk based criteria to supporting documentation;
- Assessing the judgements made by management when making key accounting estimates and judgements, and challenging management on the appropriateness of these judgements, specifically around key audit matters as discussed above;
- Performing a detailed review of the Group's year end adjusting entries and investigating any that appear unusual as to nature or amount to supporting documentation; and
- In respect of the the inappropriate capitalization of expenses into development assets and exploration and evaluation assets, the procedures set out in the key audit matter section above.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matt Crane (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, United Kingdom
29 March 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

(In GBP)	Note	31 December 2021	(Restated) 31 December 2020
Assets			
Current assets			
Cash and cash equivalents		83,171,040	29,580,538
Other receivables and prepayments	5	1,640,650	654,514
Total current assets		84,811,690	30,235,052
Non-current assets			
Property, plant and equipment	8	22,079,729	969,464
Right of use asset	12	542,034	236,349
Exploration and evaluation assets	9, 10	24,456,506	36,479,724
Total non-current assets		47,078,269	37,685,537
Total assets		131,889,959	67,920,589
Equity and liabilities			
Current liabilities			
Accounts payable and accrued liabilities	11	3,192,638	1,900,437
Lease liability	12	104,725	35,609
Deferred Consideration	7, 13	858,489	2,515,399
Borrowings	6	-	105,515
Total current liabilities		4,155,852	4,556,960
Non-current liabilities			
Lease liability	12	462,333	219,731
Borrowings	6	11,880,828	11,590,172
Derivative liability	6	1,849,962	3,045,213
Total non-current liabilities		14,193,123	14,855,116
Total liabilities		18,348,975	19,412,076
Capital and reserves attributable to shareholders of the parent			
Share capital	15	3,553,408	2,772,186
Share premium	15	107,708,429	34,519,259
Merger Reserve	15	17,709,847	17,256,579
Share-based payment reserve	15	4,467,621	5,756,069
Warrants reserve	15	2,155,882	2,797,086
Other equity	10	-	(2,515,399)
Foreign currency translation reserve	15	(199,263)	225,580
Retained deficit	15	(21,854,940)	(14,299,135)
		113,540,984	46,512,225
Non-controlling interest	10	-	1,996,288
Total equity		113,540,984	48,508,513
Total equity and liabilities		131,889,959	67,920,589

The accompanying notes on pages 124 - 160 are an integral part of these Consolidated Financial Statements.

The Consolidated Financial Statements of Adriatic Metals PLC, registered number 10599833, were approved and authorised for issue by the Board of Directors on 29 March 2022 and were signed on its behalf by:

Paul Cronin
Managing Director & Chief Executive Officer

Geoff Eyre
Chief Financial Officer & Joint Company Secretary

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

(In GBP)	Note	Year Ended 31 December 2021	Six Months Ended 31 December 2020	
Exploration costs	17	(2,880,700)	(798,028)	
General and administrative expenses	18	(5,274,727)	(2,115,707)	
Share-based payment expense	20	(1,434,574)	(2,267,239)	
Other income	21	61,869	4,816	
Operating loss		(9,528,132)	(5,176,158)	
Finance expense	19	(2,076,846)	(197,039)	
Revaluation of fair value asset	10	-	(322,987)	
Revaluation of derivative liability	6	1,195,251	-	
Revaluation of deferred consideration	7	20,834	-	
Loss before taxation		(10,388,893)	(5,696,184)	
Tax charge	16	-	1,681	
Loss for the period		(10,388,893)	(5,694,503)	
Other comprehensive income that might be reclassified to profit or loss in subsequent periods:				
Exchange (loss)/gain arising on translation of foreign Oerations		(424,843)	5,775	
		(424,843)	5,775	
Total comprehensive loss for the period		(10,813,736)	(5,688,728)	
Loss for the period attributable to:				
Owners of the parent		(10,194,509)	(5,175,392)	
Non-controlling interest		(194,384)	(519,111)	
		(10,388,893)	(5,694,503)	
Total comprehensive loss attributable to:				
Owners of the parent		(10,619,352)	(5,169,617)	
Non-controlling interest		(194,384)	(519,111)	
		(10,813,736)	(5,688,728)	
Net loss per share	Basic and diluted (pence)	15g	(4.72)	(2.99)

See note 25 for details of the restatement of the prior year comparatives.

The accompanying notes on pages 124 - 160 are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

(In GBP)	Note	Number of Shares	Share Capital	(Restated) Share Premium	(Restated) Merger Reserve	Share Based Payment Reserve	Warrants	Other Equity	Foreign Currency Translation Reserve	(Restated) Retained Earnings	Capital and Reserves Attributable to Owners of the Parent	Non-Controlling Interest	Total Equity
30 June 2020		179,840,987	2,401,777	23,992,967	-	4,426,185	-	-	219,805	(10,144,981)	20,895,753	-	20,895,753
Comprehensive income for the period:													
Loss for the period		-	-	-	-	-	-	-	-	(5,175,392)	(5,175,392)	(519,111)	(5,694,503)
Other comprehensive income		-	-	-	-	-	-	-	5,775	-	5,775	-	5,775
Total comprehensive loss		-	-	-	-	-	-	-	5,775	(5,175,392)	(5,169,617)	(519,111)	(5,688,728)
Contributions by and distributions to owners:													
Issue of share capital	15	5,276,595	70,469	6,129,531	-	-	-	-	-	-	6,200,000	-	6,200,000
Settlement Placement	15	4,830,156	64,507	4,791,547	-	-	-	-	-	-	4,856,054	-	4,856,054
Share issue costs		-	-	(1,598,603)	-	-	-	-	-	151,402	(1,447,201)	-	(1,447,201)
Exercise of options	15	4,350,000	58,093	1,203,817	-	(1,173,926)	-	-	-	1,173,926	1,261,910	-	1,261,910
Issue of options	15	-	-	-	-	2,267,239	-	-	-	-	2,267,239	-	2,267,239
Acquisition of subsidiary (restated)	15	13,278,937	177,340	-	17,256,579	236,571	2,797,086	(2,515,399)	-	(304,090)	17,648,087	2,515,399	20,163,486
31 December 2020		207,576,675	2,772,186	34,519,259	17,256,579	5,756,069	2,797,086	(2,515,399)	225,580	(14,299,135)	46,512,225	1,996,288	48,508,513

See note 25 for details of the restatement of the prior year comparatives.

The accompanying notes on pages 124 - 160 are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2021

	(In GBP)	Note	Number of Shares	Share Capital	(Restated) Share Premium	(Restated) Merger Reserve	Share Based Payment Reserve	Warrants	Other Equity	Foreign Currency Translation Reserve	(Restated) Retained Earnings	Capital and Reserves Attributable to Owners of the Parent	Non-Controlling Interest	Total Equity
Comprehensive income for the year:														
Loss for the year	-		-	-	-	-	-	-	-	-	(10,194,509)	(10,194,509)	(194,384)	(10,388,893)
Other comprehensive income	-		-	-	-	-	-	-	-	(424,843)	-	(424,843)	-	(424,843)
Total comprehensive loss	-		-	-	-	-	-	-	-	(424,843)	(10,194,509)	(10,619,352)	(194,384)	(10,813,736)
Contributions by and distributions to owners:														
Issue of share capital	15		49,350,000	659,069	73,782,979	-	-	-	-	-	-	74,442,048	-	74,442,048
Settlement Placement	15		1,287,236	17,191	846,948	-	-	-	-	-	-	864,139	-	864,139
Share issue costs			-	-	(3,277,759)	-	-	-	-	-	-	(3,277,759)	-	(3,277,759)
Exercise of options	15		6,542,958	87,382	711,997	-	(2,723,021)	-	-	-	2,723,021	799,379	-	799,379
Issue of options	15		-	-	-	-	2,098,430	-	-	-	-	2,098,430	-	2,098,430
Exercise of warrants	15		984,371	13,146	1,125,005	-	-	(473,332)	-	-	473,332	1,138,151	-	1,138,151
Expiry/ Cancellation of Options/warrants	15		-	-	-	-	(663,857)	(167,872)	-	-	167,872	(663,857)	-	(663,857)
Acquisition of subsidiary	15		332,000	4,434	-	453,268	-	-	2,515,399	-	(725,521)	2,247,581	(1,801,904)	445,677
31 December 2021	266,073,240		3,555,408	107,708,429	17,709,847	4,467,621	2,155,882	-	(199,263)	(21,854,940)	113,540,984	113,540,984	-	113,540,984

See note 25 for details of the restatement of the prior year comparatives.

The accompanying notes on pages 124 - 160 are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

(In GBP)

	Note	Year Ended 31 December 2021	Six Months Ended 31 December 2020
Cash flows from operating activities			
Loss for the period		(10,388,893)	(5,694,503)
Adjustments for:			
(Gain)/Loss on Disposal of Fixed Asset		(166)	1,106
Depreciation of property, plant and equipment	8	88,544	36,157
Amortisation of exploration & evaluation assets	9	28,889	11,469
Amortisation of right-of-use assets	12	57,786	15,549
Share-based payment expense	20	1,434,574	2,267,239
Finance expense	19	2,076,846	197,039
Revaluation of fair value assets	10	-	322,987
Revaluation of derivative liabilities	6	(1,195,251)	-
Revaluation of deferred consideration	7	(20,834)	-
Changes in working capital items:			
Increase in other receivables and prepayments		(984,574)	(151,833)
Increase in accounts payable and accrued liabilities		1,365,854	687,582
Net cash used in operating activities		(7,537,225)	(2,307,208)
Cash flows from investing activities:			
Cash acquired on acquisition	10	-	311,964
Purchase of property, plant and equipment	8	(7,264,352)	(90,864)
Purchase of exploration & evaluation assets	9	(2,857,010)	(3,052,019)
Sale of Property, plant and equipment		1,764	1,970
Loans issued	10	-	(723,300)
Net cash used in investing activities		(10,119,598)	(3,552,249)
Cash flows from financing activities			
Gross proceeds from the issue of ordinary shares	15i	77,243,716	12,317,964
Gross proceeds from loans and borrowings	7	-	14,956,849
Transaction costs arising from equity financing	15i	(3,277,759)	(1,447,201)
Settlement of Deferred Consideration	7	(1,188,706)	
Interest paid on loans and borrowings	6	(1,351,266)	-
Interest paid on leases	12	(70,929)	(10,523)
Net cash flows from financing activities		71,355,056	25,817,089
Net increase in cash and cash equivalents		53,698,233	19,957,632
Exchange losses on cash and cash equivalents		(107,731)	(319,823)
Cash and cash equivalents at beginning of the period		29,580,538	9,942,729
Cash and cash equivalents at end of the period		83,171,040	29,580,538

The accompanying notes on pages 124 - 160 are an integral part of these Consolidated Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

The consolidated financial statements present the financial information of Adriatic Metals PLC and its subsidiaries detailed in Section 3 (collectively, the Group) for the period ended 31 December 2021. Adriatic Metals PLC (the Company or the parent) is a public company limited by shares and incorporated in England & Wales. The Registered office has changed during the year. The registered office is located at Ground Floor, Regent House, 65 Rodney Road, Cheltenham GL50 1HX, United Kingdom.

The Group's principal activity is precious and base metals exploration and development. The Group owns the world-class Vares Project in Bosnia & Herzegovina and the Raska Project in Serbia.

Bosnia & Herzegovina and Serbia are well-positioned in central Europe and boast strong mining history, pro-mining environment, highly skilled workforce as well as extensive existing infrastructure and logistics.

2. Basis of preparation

a. Statement of compliance

These consolidated financial statements have been prepared in accordance with UK adopted international accounting standards. IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee, and there is an ongoing process of review and endorsement by the European Commission.

The Consolidated Financial Statements were authorised for issue by the Board of Directors on 29 March 2022.

b. Basis of measurement

These Consolidated Financial Statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

These Consolidated Financial Statements are presented in pounds sterling ("GBP"). This is also the functional currency of the Company.

The Company's year end previously ran to 30 June 2020. The year end was changed to align the financial periods of all subsidiaries to 31 December 2020, hence the comparative period is a 6 month period. The current financial year encompasses the 12 month period to December 2021.

c. Going Concern

The Group incurred a loss in the period of £10,388,893 (31 December 2020 - £5,694,503). However, the Group also had a net asset position at the balance sheet date of £113,540,984 (31 December 2020 - £46,512,225).

The Vares Feasibility Study as completed in August 2021 with Project NPV of US\$1.1 billion and build cost of US\$168.2 million. Equity raise successfully closed on 29th October 2021 and Orion debt documents were executed with the aim of providing the Group with sufficient funds to complete the Vares mine construction and ongoing owner costs until production commences in Q2 FY23 and the business becomes self-sustaining from cash flows from operations.

Definitive documentation executed for the US\$142.5 million Project Finance Debt Package with Orion announced on 10 January 2021 currently undrawn. Debt-Service Coverage Ratio (DSCR) covenant is included in the finance package and will apply commencing 3 months post the first repayment date, required to be above 1.25x level and tested on a quarterly basis.

Refreshed budget show that substantial headroom remains based on assumption debt documents are agreed in line with term sheet on 12-month view as funding in place to cover the approximately 18 month build and bring the Vares project into production. Longer term substantial headroom exists over the 1.25x DSCR covenant, forecasted DSCR as follows:

	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Dec-25
DSCR	3.9	5.0	4.9	4.8	4.7	4.6	5.8

Analysis regarding sensitivities have been considered simultaneously as slippage delay to commencement of production up to 10% increase in build costs.

Cash flow forecasts prepared indicate that the Company has sufficient cash resources to continue in operation for a period in excess of 12 months from the date of signing the Consolidated and Parent Company Financial Statements. The Directors therefore believe there is not a material uncertainty regarding going concern and that it is appropriate to prepare the financial statements on a going concern basis.

3. Significant accounting policies

The preparation of Consolidated Financial Statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies. Below are the significant accounting policies applied by management. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in note 4.

a. Basis of consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements; and
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

The Consolidated Financial Statements comprise the Financial Statements of the parent company and following subsidiaries at 31 December 2021:

Name of subsidiary	Country of incorporation	Shareholding on 31 Dec. 2021	Shareholding on 31 Dec. 2020	Nature of business
Eastern Mining d.o.o.	Bosnia & Herzegovina	100%	100%	Mineral exploration & development
Adriatik Metali d.o.o	Bosnia & Herzegovina	100%	0%	Mineral exploration & development (incorporated during year to 31 December 2021)
Adriatic Metals Jersey Ltd (formerly Tethyan Resource Corp)	Jersey (formerly Canada)	100%	100%	Holding company - financing mining exploration of subsidiary
Adriatic Metals Services (UK) Limited (formerly Tethyan Resources Limited)	England & Wales	100%	100%	Holding company - financing mining exploration of subsidiary
Adriatic Metals Trading & Finance B.V.	The Netherlands	100%	0%	Trading & Finance Company (incorporated during year to 31 December 2021)
Adriatic Metals Holdings BIH Limited	England & Wales	100%	0%	Holding company - financing mining exploration of subsidiary (incorporated during year to 31 December 2021)
Tethyan Resources Jersey Ltd	Jersey	100%	100%	Holding company - financing mining exploration of subsidiary
Taor d.o.o.	Serbia	100%	100%	Mineral exploration and development
Tethyan Resources d.o.o.	Serbia	100%	100%	Mineral exploration and development
Global Mineral Resources d.o.o.	Serbia	100%	100%	Mineral exploration and development
Tethyan Resources Bulgaria EOOD (liquidated post year end)	Bulgaria	100%	100%	Mineral exploration and development
Kosovo Resource Company (liquidated during year to 31 December 2021)	Kosovo	0%	100%	Mineral exploration and development
Ras Metals d.o.o.	Serbia	100%	10%*	Mineral exploration and development

* The Group held 10% of the equity in Ras Metals d.o.o. at 31 December 2020. The Group had substantive control of Ras Metals d.o.o. at 31 December 2020 and consolidated the net assets into the Group financial statements. The group activated the option to acquire remaining 90% during the period to 31 December 2021. See Section 4 for more details on critical accounting judgements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Entities in which the Group held a shareholding that are not included in consolidation are as follows:

Name of subsidiary	Country of incorporation	Shareholding on 31 Dec. 2020	Shareholding on 30 June 2020	Nature of business
EFPP d.o.o.	Serbia	0%	10%*	Mineral exploration and development

The Group owned 10% of the equity in EFPP d.o.o. at 31 December 2020 with an option to acquire the remaining 90%. However, the Group did not have substantive control over this entity and has not consolidated the net assets into the Group financial statements. The 10% of equity in EFPP d.o.o. was disposed of during the period to 31 December 2021 for nominal consideration of €2.

See Section 4 for more details on critical accounting judgements including conclusion regarding the Group not controlling Deep Research or the Adriatic Foundation and as a result these entities are not included in the consolidated financial statements of the Group.

b. Standards, amendments and interpretations adopted

During the period, there was no material impact on the Group's financial statements resulting from the adoption of new standards and amendments.

c. Standards, amendments and interpretations effective in future periods

At the date of authorisation of these Consolidated Financial Statements, the following new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Group.

Standard	Detail	Effective date
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS Standards 2018-2020	1 January 2022
IFRS 3	References to Conceptual Framework	1 January 2022
IAS 1	Amendment – regarding the classification of liabilities as Current or Non-current	1 January 2023
IAS 1	Amendment – Disclosure of Accounting Policies	1 January 2023
IAS 8	Amendment – Definition of Accounting Estimates	1 January 2023
IAS 12	Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

Management anticipates that all the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. The group does not expect these Standards or Interpretations to have a material impact on the entity's financial statements in the period of initial application.

d. Foreign currency transactions and translations

The Group's consolidated financial statements are presented in GBP (£), which is considered to be the Company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency which is the currency of the primary economic environment in which the entity operates ('the local functional currency').

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into GBP (£) at the rate of exchange prevailing at the reporting date and their income statements are translated at average exchange rates prevailing during the period. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

e. Cash and cash equivalents

Cash and cash equivalents are comprised of cash held on deposit and other short-term, highly liquid investments with original maturities of three months or less. These deposits and investments are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

f. Other receivables

All receivables are held at amortised cost less any provision for impairment. A loss allowance for expected credit losses is made to reflect changes in credit risk since the initial recognition.

g. Exploration and evaluation assets

Pre-license costs

Pre-license costs relate to costs incurred before the Group has obtained legal rights to explore in a specific area. Such costs may include the acquisition of exploration data and the associated costs of analysing that data. These costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analysing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market studies

License costs paid in connection with a right to explore in an existing exploration area are capitalised and initially amortised over the term of the permit, unless the licence forms part of JORC-compliant reserves where development is sanctioned, at that point, licence costs are transferred to 'Mines under construction', amortisation of licence costs ceases and is instead amortised over the life of the mine when it becomes operational.

Where the purchase of a business or group of assets provides the group exploration rights, these costs are capitalised in exploration and evaluation expenditure.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the Group concludes that a future economic benefit is more likely than not to be realised. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalised, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Exploration and evaluation expenditure on licenses where a JORC-compliant resource has not yet been established is expensed as incurred until sufficient evaluation has occurred in order to establish a JORC-compliant resource.

Costs expensed during this phase are included in 'Exploration expenses' and 'Other operating expenses' in the statement of profit or loss and other comprehensive income.

Upon the establishment of a JORC-compliant resource (at which point, the Group considers it probable that economic benefits will be realised), the Group capitalises any further evaluation expenditure incurred for the license as exploration and evaluation assets up to the point when a JORC-compliant reserve is established. Capitalised exploration and evaluation expenditure is considered to be an intangible asset and measured at cost less accumulated impairment.

Exploration and evaluation assets acquired in a business combination are initially recognised at fair value, including resources and exploration potential that is considered to represent value beyond proven and probable reserves. Similarly, the costs associated with acquiring an exploration and evaluation asset (that does not represent a business) are also capitalised and subsequently measured at cost less accumulated impairment.

Once JORC-compliant reserves are established and development is sanctioned, exploration and evaluation assets are tested for impairment and transferred to 'Mines under construction' which is a sub-category of 'Mine properties' within Property Plant and Equipment and will be subsequently amortised in line with the useful economic life of the mine or rate of depletion of resources. Exploration and evaluation assets are not amortised during the exploration and evaluation phase and are considered to have an indefinite life until determined to be part of a mine plan. We assess the balance of Mine under Construction for impairment on transfer from Exploration and Evaluation assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

h. Property, plant and equipment

i) Land

Land is held at cost less accumulated impairment losses. Once JORC-compliant reserves are established and development is sanctioned, land is tested for impairment and transferred to 'Mines under construction' which is a sub-category of 'Mine properties' and will be subsequently depreciated in line with the useful economic life of the mine or rate of depletion of resources once the mine enters into production. Land is not depreciated during the exploration and evaluation phase and is considered to have an indefinite life until determined as part of a mine plan.

ii) Short lived property, plant and equipment

Short lived property, plant and equipment consists of buildings, plant and machinery, office furniture and equipment, transportation assets and computer equipment. Short lived property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of short lived property, plant and equipment consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

iii) Mine under Construction

Once JORC-compliant reserves are established and development is sanctioned, exploration and evaluation assets are tested for impairment and transferred to 'Mines under construction' which is a sub-category of 'Mine properties' and will be subsequently amortised in line with the useful economic life of the mine or rate of depletion of resources once the mine enters into production. The exact method of amortisation will be determined taking into account all relevant factors at the point at which the mine enters into production.

Expenditure which is necessarily incurred whilst commissioning the mine under construction, in the period prior to being capable of operating in the manner intended by management, are capitalised. Development costs incurred after the commencement of production are capitalised to the extent they are expected to give rise to a future economic benefit.

iv) Depreciation and amortisation

Land is not depreciated. All other short-lived property, plant and equipment depreciation is provided at rates calculated to expense the cost of property, plant and equipment, less their estimated residual value, using the straight-line method over their estimated useful life of the asset giving the following rates:

Land	Not depreciated
Buildings & Leasehold improvements	Shorter of 10% or lease term
Plant and equipment	15% - 33%
Assets under construction	Depreciation commences when put into service
Mine properties	Amortised in line with useful economic life of mine or rate of depletion of resources

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if appropriate.

i. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

i) Transition Method and Practical Expedients Utilised

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 July 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains, a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed.

The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 July 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

ii) Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets which, are either expensed as incurred through the income statement or capitalised in exploration and evaluation assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

iii) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortised on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The Group has a number of right of use asset being administrative premises in Bosnia & Herzegovina, Serbia and the UK. The Company has a single right of use asset, relating to the lease of an office premises in the UK. Given the nature of the assets, the amortisation charge is included in general and administrative expenses.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

iv) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

v) Revision of lease term

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

j. Rehabilitation provision

The Group recognises provisions for contractual, constructive or legal obligations, including those associated with the reclamation of mineral interests and property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for the rehabilitation is recognised at its present value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding provision is added to the carrying amount of the related asset and the cost is amortised as an expense over the economic life of the asset. Following the initial recognition of the rehabilitation provision, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, and amount or timing of the underlying cash flows needed to settle the obligation.

Regarding construction to date, whilst access road construction commenced in November 2021 at the Rupice Surface Infrastructure site, construction activities have not progressed to the point to which management believe a rehabilitation provision is currently necessary. Rehabilitation costs were estimated as part of the feasibility study and construction progress will be assessed in future periods with recognition of the estimated outstanding continuous rehabilitation work at each balance sheet date accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

k. Interest income

Interest income is recorded on an accrual basis using the effective interest method.

l. Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Except for trade and other receivables which do not contain a significant financing component, financial assets and financial liabilities are measured initially at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument. Trade receivables which do not contain a significant financing component are recognised at their transaction price. Financial assets and financial liabilities are subsequently measured as described below.

i) Financial assets

Financial assets are subsequently recognised at amortised cost under IFRS 9 if it meets both the hold to collect and contractual cash flow characteristics tests. A financial asset is measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If neither of the above classification are met the asset is classified as fair value through the profit and loss or unless management elect to do so provided the classification eliminates or significantly reduces a measurement or recognition inconsistency.

a) Cash and cash equivalents and trade and other receivables

Cash and cash equivalents and trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment, if any.

b) Fair value through profit or loss

Financial assets measured at fair value through profit or loss are subsequently measured at fair value with changes in those fair values recognised in the profit and loss statement.

Assets held at fair value through profit or loss comprised of the convertible option contained within the loan between the Company and Tethyan Resource Corp. Following the acquisition this convertible option was extinguished and previously held value released through the profit and loss, the Group currently has no assets held at fair value through profit and loss.

ii) Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method, except for financial liabilities designated at fair value through profit or loss, that are carried subsequently at fair value with gains and losses recognised in the profit and loss statement.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Where the movement in fair value is due to a change in the entity's credit risk, such gain/loss is recognised in Other Comprehensive Income statement.

The Group's financial liabilities initially measured at fair value and subsequently recognised at amortised cost include accounts payables and accrued liabilities, deferred consideration and the liability associated with the right of use asset (note 12).

iii) Convertible debt

The proceeds received on issue of the Group's convertible debt are allocated into their liability and derivative liability components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option and is recognised as a derivative liability as appropriate conditions were met.

m. Impairment of assets

i) Financial assets

A financial asset that is not carried at fair value through profit or loss is assessed at each reporting date to determine a loss allowance for expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition, the loss allowance is equal to the lifetime expected credit losses. If the credit risk has not increased significantly, the loss allowance is equal to the twelve month expected credit losses.

The expected credit losses are measured in a way that reflects the unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes; the time value of money and reasonable and supportable information that is available about past events, current conditions and forecasts of future economic conditions.

ii) Non-financial assets

Exploration and evaluation assets relates to the Raska Project, with value based on consideration paid for the combined Tethyan group.

The carrying values of capitalised evaluation expenditure for undeveloped mining projects (projects for which the decision to mine has been not yet been deemed commercially viable and development not yet been authorised) are reviewed at each reporting date for indicators of impairment in accordance with IFRS 6, and when indicators are identified are tested in accordance with IAS 36 Impairment of Assets.

Property, plant and equipment and intangible assets with finite lives are reviewed for impairment if there is an indication that the carrying amount may not be recoverable.

The Vares Project is considered to be a cash generating unit, previously capitalised exploration and evaluation assets in relation to the Vares Project were transferred to Mines under Construction following the completion of the Feasibility Study in August 2021.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that the assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate largely independent cash inflows, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss statement. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. Where an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognised in the profit and loss statement.

n. Income taxes

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years.

Deferred income taxes are calculated based on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not recognised on the initial recognition of goodwill, on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction, and on temporary differences relating to investments in subsidiaries and jointly controlled entities where the reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred income tax assets and liabilities are measured, without discounting, at the tax rates that are expected to apply when the assets are recovered, and the liabilities settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

The Group has not recognised any deferred tax assets or liabilities.

o. Earnings/loss per share

Basic loss per share is calculated by dividing the loss attributable to the common shareholders of the Group by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is calculated by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options and warrants granted.

p. Share Capital, Share Premium & Merger reserve

Ordinary shares are classified as Share Capital. Share premium represents the excess of proceeds received over the nominal value of new shares issued.

Incremental costs directly attributable to the issuance of new shares are shown in share premium as a deduction, net of tax, from the proceeds.

Merger reserve represents the difference between the value of shares issued by the Company in exchange for the value of shares acquired in respect of the acquisition of subsidiaries.

q. Share-based payments & warrants payments

i) Share-based payment transactions

The Company grants share options and performance rights to Directors, Officers, Consultants and employees ("equity-settled transactions"). The company grants warrants to institutions issued as part of an equity raise as part of overall in connection with the acquisition of Tethyan. The Board of Directors determines the specific grant terms within the limits set by the Company's share option plans.

ii) Equity-settled transactions

The costs of equity-settled transactions are measured by reference to the fair value at the grant date and are recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant persons become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and the corresponding amount is represented in share option reserve. No expense is recognised for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Where equity-settled transactions are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss statement over the vesting period. Non market performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of the options that will eventually vest. Market performance vesting conditions are incorporated into the fair value of the equity instrument at the grant date.

Where equity-settled transactions are entered into with non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the equity instruments issued. Otherwise, share-based payments to non-employees are measured at the fair value of the goods or services received.

Upon exercise of share options or warrants, the proceeds received are allocated to share capital, and premium if applicable together with any associated balance in share-based payments reserve are transferred to retained earnings. The dilutive effect of outstanding options is reflected as additional dilution in the computation of diluted earnings per share.

The Group utilises the Black-Scholes Option Pricing Model to estimate the fair value of share options and performance rights granted to Directors, Officers and employees. The use of this model requires management to make various estimates and assumptions that impact the value assigned to the share options and performance rights including the forecast future volatility of the share price, the risk-free interest rate, dividend yield, the expected life of the share options and performance rights and the expected number of share which will vest. See note 15 for further details regarding these inputs.

r. Non-controlling interest

The Group has the choice, on a transaction-by-transaction basis, to initially recognise any non-controlling interest in the acquiree which is a present ownership interest and entitles its holders to a proportionate share of the entity's net assets in the event of liquidation at either acquisition date fair value or, at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. Other components of non-controlling interest such as outstanding share options are generally measured at fair value.

The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

On the creation of a non-controlling interest, the group recognise an Other Equity account for the deferred consideration payable under any option agreements.

s. Other Reserve Accounts

Foreign currency translation reserve include gains/losses arising on retranslating the net assets of entities from their functional currencies into the Group presentational currency GBP.

Retained Earnings include all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere

t. Segmental reporting

The reportable segments identified make up all of the Group's activities. The reportable segments are an aggregation of the operating segments within the Group as prescribed by IFRS 8. The reportable segments are based on the Group's management structures and the consequent reporting to the Chief Operating Decision Maker, the Board of Directors. These reportable segments also correspond to geographical locations such that each reportable segment is in a separate geographic location. Income and expenses included in profit or loss for the period are allocated directly or indirectly to the reportable segments.

In the comparative period the group has reviewed its operating segments following the acquisition of the Tethyan Resource Corp and subsidiaries in October 2020 and as a result of the expansion in the group's range to operating activities and determined that there are now three distinct reporting segments as follows:

- Bosnia & Herzegovina (principally the Vares Project)
- Serbia (principally the Raska Project)
- Corporate (which supports the activities of the other two segments)

The Vares and Raska projects operate in two separate distinct jurisdictions and are at different points in their respective project life cycles.

The reportable segments are based on the Group's management structures and the consequent reporting to the Chief Operating Decision Maker, the Board of Directors.

Non-current segment assets comprise the non-current assets used directly for segment operations, including intangible assets and property, plant and equipment. Current segment assets comprise the current assets used directly for segment operations, including other receivables and deferred costs. Inter-company balances comprise transactions between operating segments making up the reportable segments. These balances are eliminated to arrive at the figures in the Consolidated Financial Statements.

u. Adriatic Foundation

The Adriatic Foundation (the "Foundation") is a not-for-profit trust which was created in Bosnia & Herzegovina with the objective of supporting the communities around the Vares Project. Adriatic Metals PLC provided the initial funding required for the formation of the Foundation.

The Company has the ability to appoint the Board of Trustees of the Foundation and hence transactions between the Company and the Foundation have been classified as related party on the basis of the company yielding significant influence.

With reference to IFRS 10 an assessment of control has been performed to determine whether the company controls the Adriatic Foundation. The conclusion of this assessment is that whilst the company has power over the Foundation, it does not have the ability to use its power to affect the company returns. The Foundation statute prevents neither the Company as the founder, nor any other person associated with the Foundation to directly or indirectly derive profit or any other material or financial benefit realized through the purposes and activities of the Foundation. The Directors have therefore concluded that the Company does not control the Foundation and as a result the Foundation is not included in the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

4. Critical accounting estimates and judgements

The preparation of the Consolidated Financial Statements in accordance with IFRS requires management to make certain judgements, estimates, and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from these estimates. Information about the significant judgements, estimates, and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Estimates

a. Exploration and evaluation asset impairment testing

The Group reviews and tests the carrying value of exploration and evaluation assets when events or changes in circumstances suggest that the carrying amount may not be recoverable in terms of IFRS 6. Indicators of impairment the group assesses for are as follows:

- a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs. The key estimates made includes discount rates, being the Group's weighted average cost of capital, future prices, E&E costs, production levels and foreign currency exchange rates.

Exploration and evaluation assets at 31 December 2021 comprised the Raska Project £24,456,506, with value based on consideration paid for the combined Tethyan group.

No indicators of impairment were identified during managements review of potential indicators, further expansion of drilling program is budgeted for 2022 and the Group aims to produce an internal scoping study.

For further assurance over the value of exploration and evaluation assets capitalised, management obtained a resource estimate from Forge International estimate, an independent third-party organisation. This comprised an additional stage of preliminary Resource modelling, this time using both the historical and modern data sets. The results of which were compared to the market capitalisation of comparative listed single asset projects in which the Raska Project valuation did not appear unreasonable compared similar projects.

b. Mine under Construction impairment testing

Mine under construction is in respect of the Vares Project concession, located in Bosnia & Herzegovina. The balance of Exploration and Evaluation asset were transferred to Mine under Construction at the completion of the Feasibility Study. We assess the balance of Mine under Construction on transfer from Exploration and Evaluation assets and subsequently at each balance sheet date, no impairment was required at the date of the transfer or at the 31 December 2021.

Property, plant and equipment and intangible assets with finite lives are reviewed for impairment if there is an indication that the carrying amount may not be recoverable.

The Vares Project's captivating economics and impressive resource inventory have attracted Adriatic's highly experienced team, which is expediting exploration efforts to expand the current JORC resource. Results of a recent Feasibility study indicate an NPV8 of US\$1,062 million and IRR of 134%. Leveraging its first-mover advantage, Adriatic is rapidly advancing the Project into the development phase and through to production.

c. Deferred Consideration

The Group accounts for deferred consideration within financial liabilities section at fair value through profit and loss.

Tethyan had entered into an option agreement with EFPP d.o.o. (EFPP) the holders of the Kizevak & Sastavci licences, first closing was completed on 14 May 2020 to acquire 10% equity in EFPP d.o.o. Immediately prior to the completion of the acquisition of Tethyan by the Company the Kizevak & Sastavci licences were spun out to a newly formed company Ras Metals d.o.o. (Ras) in which Tethyan also held a 10% equity interest, which had been a condition precedent to closing of Tethyan acquisition. See Note 10 for details.

At any time within 12 months of the first closing, the Company was able to acquire the remaining 90% ownership stake in Ras Metals by:

- making a payment of €1,365k to the sellers of Ras;
- grant a 2% NSR over the licenses
- issue 664,000 shares of the Company to the sellers in four equal tranches every six months commencing on second closing; and
- make a €0.5m payment on the two-year anniversary of the first closing.

With the exception of the 2% NSR grant over the licenses which can't be reliably estimated at this stage, the fair value of remaining consideration payable under Ras Option agreement was originally estimated at £2,515,399 at 31 December 2020.

On 23 February 2021, the Company completed the acquisition of the entire issued share capital of Ras making payment of €1,365k to the sellers and issuing the first 166,000 shares reducing the deferred consideration balance. On the 24 August 2021 the second tranche of 166,000 shares were issued in line with the agreement reducing the deferred consideration balance further. The remaining deferred consideration was estimated as at the balance sheet date to be £858,489. See Note 7 for further details.

d. Convertible bond valuations

The Group issued USD 20 million 8.5% Convertible bonds through a deed of covenant dated 30 November 2020. The bonds are convertible into fully paid equity securities in the share capital of the issuer, subject to and in accordance with the Conditions and the Deed of Covenant. Management engaged experts to assist with the valuation of the bond holders call option embedded within this agreement. The option is recognised as a derivative liability in the Group and company accounts and required a separate fair valuation. This option was revalued as at the balance sheet date.

See note 6 for further details regarding these inputs.

Judgements

a. Functional currency

The Group transacts in multiple currencies. The assessment of the functional currency of each entity within the consolidated Group involves the use of judgement in determining the primary economic environment each entity operates in. The Group first considers the currency that mainly influences sales prices for goods and services, and the currency that mainly influences labour, material and other costs of providing goods or services. In determining functional currency, the Group also considers the currency from which funds from financing activities are generated, and the currency in which receipts from operating activities are usually retained. When there is a change in functional currency, the Group exercises judgement in determining the date of change. This assessment is driven by the primary economic environment of each entity including products, labour, materials and professional services and the currency they are primarily transacted in.

Name of Equity	Country of Incorporation	Functional Currency
Adriatic Metals plc	England & Wales	GBP
Eastern Mining d.o.o.	Bosnia & Herzegovina	BAM
Adriatik Metali d.o.o	Bosnia & Herzegovina	BAM
Adriatic Metals Jersey Ltd	England & Wales	GBP
(previously Tethyan Resource Corp)	Jersey	CAD
Adriatic Metals Services (UK) Limited	Serbia	RSD*
(previously Tethyan Resources Limited)	England & Wales	US\$
Adriatic Metals Trading & Finance BV	Netherlands	US\$
Adriatic Metals Holdings BIH Limited	England & Wales	GBP
Tethyan Resources Jersey Ltd	Serbia	RSD
Taor d.o.o.	Serbia	RSD
Tethyan Resources d.o.o.	Serbia	RSD
Global Mineral Resources d.o.o.	Serbia	RSD
Tethyan Resources Bulgaria EOOD (liquidated post year end)	Bulgaria	€
Kosovo Resource Company (liquidated during year to 31 December 2021)	Kosovo	€

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

b. Capitalisation of exploration costs

The group uses its judgement to determine whether costs meet the capitalisation requirements in terms of the standard and its accounting policy on exploration and evaluation assets to determine whether exploration and evaluation costs should be capitalised or expensed based on whether the activities performed are directly attributable to increasing the value of the Project.

Upon the establishment of a JORC-compliant resource (at which point, the Group considers it probable that economic benefits will be realised), the Group capitalises any further evaluation expenditure incurred for the license as exploration and evaluation assets up to the point when a JORC-compliant reserve is established. There is an element of judgement involved by management as to which costs are directly attributable to increasing the value of the Project, broadly activities in relation to scoping, exploration and development are deemed directly attributable, whilst activities in relation to supporting and administrative duties are deemed not to be directly attributable.

c. Option Agreement Treatment - Control of Ras Metals

As part of the Tethyan Resource Corp acquisition, the Group became the beneficiary of three mutually exclusive option agreements under which it could acquire, at its sole discretion, the entire share capital of Ras Metals d.o.o., EFPP d.o.o. and Deep Research d.o.o.

The Group assessed each option agreement to determine whether it provided the Company with control over each respective entity and if so from what point in time as follows:

i) Ras Metals d.o.o. (Ras)

The Group determined that Ras was controlled by the Group from 8 October 2020, being the date at which Tethyan Resource Corp (the option holder) was acquired by the Company, because the Group had the ability under an agreement with commercially acceptable terms, to acquire the remaining equity interest in Ras. Hence the Group had control over Ras, rights to variable returns from its involvement with Ras, and the ability to use its power over Ras to affect the amount of the Group's returns. On 23 February 2021, the Company completed the acquisition of the entire issued share capital of Ras further details of which are provided in note 10.

The Group assessed whether the option agreement gave access to the returns associated with an ownership interest. In such circumstances, the proportion allocated to the parent and non-controlling interests in preparing consolidated financial statements is determined by taking into account the eventual exercise of those potential voting rights and other derivatives that currently give the entity access to the returns.

The consideration paid to exercise the right to purchase the remaining equity contained both fixed and variable elements. As a result of the additional consideration payable which remained variable at year end, the Group did not have access to present returns in Ras at 31 December 2020 and has therefore recognised a non-controlling interest until the Company completed the acquisition of the entire issued share capital of Ras further details of which are provided in note 10.

ii) EFPP d.o.o. (EFPP)

EFPP was determined to be outside the control of the Group because the option agreement holder, Tethyan Resource Corp, was unlikely to exercise its rights under the agreement. This position was further justified when on 22 February 2021, the Group disposed of its 10% equity stake in EFPP for a nominal amount. The Group no longer have any holding in this entity following this disposal.

iii) Deep Research d.o.o. (DR)

DR was determined to be outside of the control of the Group because although Tethyan Resource Corp (the option agreement holder) had the ability to control DR via exercise of the option it did not have the intent to do so at present until further exploration work has been completed to determine the economic value of DR to the Group relative to the consideration that would be payable on exercise of the option.

5. Other receivables and prepayments

(In GBP)	31 December 2021	31 December 2020
Other receivables	4,286	8,729
Prepayments and deposits	443,450	138,088
Debt issuance costs	435,069	-
Taxes receivable	757,845	507,698
Total	1,640,650	654,514

All receivables are due within one year.

Debt issuance costs are in relation to Orion Financing package which was agreed post year end and will be netted against the debt liability when draw down occurs, and amortised over the life of the obligation.

The Group has three reporting segments and two operating locations which are Bosnia & Herzegovina and Serbia.

The split of other receivables and prepayments is as follows as at 31 December 2021:

	Bosnia & Herzegovina	Serbia	Corporate	Total
Other receivables	865	1,716	1,705	4,286
Prepayments and deposits	332,834	28,004	92,613	443,451
Debt issuance costs	-	-	435,069	435,069
Taxes receivable	538,618	82,350	136,876	757,844
Total	872,317	112,070	666,263	1,640,650

The split of other receivables and prepayments is as follows as at 31 December 2020:

	Bosnia & Herzegovina	Serbia	Corporate	Total
Other receivables	829	7,900	-	8,729
Prepayments and deposits	29,475	38,196	70,416	138,088
Taxes receivable	300,426	109,200	98,072	507,698
Total	330,730	155,296	168,488	654,514

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

6. Borrowings and Derivative Liability

QRC Convertible Loan

The Group issued USD 20 million 8.5% Convertible bonds through a deed of covenant dated 30 November 2020. The bonds are convertible into fully paid equity securities in the share capital of the issuer, subject to and in accordance with the Conditions and the Deed of Covenant. Key terms and conditions of the Bond agreement between the Company and Queens Road Capital (QRC) is provided below.

Voluntary conversion

The bonds shall be convertible into equity securities of the company at the option of the bondholder at any time from the issue date 1 December 2020 until 30 November 2024. The number of equity securities to be issued on exercise of a conversion price in effect on the relevant conversion date. The initial conversion price is A\$ 2.7976 per ordinary share.

Redemption and Purchase

- a) Final redemption: Where the bonds are not converted, redeemed, purchased, or cancelled by the company prior to the final maturity date, the bonds shall be redeemed by the company at their principal amount
- b) Redemption at the option of the issuer: Option to the issuer to redeem all the bonds outstanding, prior to the final maturity date, at their principal amount together with accrued but unpaid interest to such date if:
 - At any time prior to maturity date, the volume weighted average price of the equity securities for 20 consecutive days has exceeded 125% of the Conversion Price;
 - The issuer delivers an optional redemption notice that contains an optional redemption date which falls on or after the third anniversary of the issue date; or
 - A Project refinancing has occurred
- c) Redemption at the option of bondholder in change of control event: the bondholder receives an option to require the issuer to redeem the bonds prior to the final maturity date. In the event of a change of control, the bonds shall be redeemed at:
 - 130% of the principal amount, if the change of control event occurs on or prior to the second anniversary of the issuance date, together with accrued and unpaid interest till such date
 - 115% of the principal amount, if the change of control event occurs after the second anniversary of issuance date, together with accrued and unpaid interest till such date
- d) Redemption at the option of the bondholder in the event of Project financing: In any event where the company secures a -Project financing before the final maturity date of the bonds, the bondholder can require the issuer to redeem the bonds at its principal amount together with the accrued but unpaid interest to such date.

Accounting Consideration and Results

QRC's option to convert the bonds into equity and the associated potential issue of shares give rise to a variable amount of cash that would be received by the Company and therefore the bonds fail to meet the requirements to be classified as equity. The conversion feature of the bonds has therefore been accounted for as a derivative liability, with the value of the conversion feature dependent on foreign exchange rates and other factors as set out below.

Management engaged external experts to review the terms of the agreement and perform a valuation. It was concluded that the call option in the hands of the bondholder satisfied the conditions stipulated by IFRS 9 Financial Instrument – Recognition and Measurement for the recognition as a derivative liability in the Group and company accounts and required a separate fair valuation.

The redemption options in the hands of the bondholder were concluded to be falling outside of the exemptions of IFRS 9 and closely related to the debt host contract. Therefore, the redemption options need not be separated from the debt host contract and hence need not be valued separately. The Group has elected to account for the embedded option at fair value in the profit and loss, and loan liability at amortised cost.

Valuation Model

The Black Scholes model was chosen as the most appropriate pricing model to value the company call options, valuation was updated at 31 December 2021. The main assumptions and inputs used in the options pricing model at each year end were as follows:

- Dividend yield – assumed to be nil because the Company has not declared or paid any dividends in prior years on ordinary shares
- Strike price – The initial conversion price of A\$ 2.7976 per ordinary share
- Expected term – Judgement applied to assign probability to the various redemption and put options in the contract. The Group has agreed a financing package to progress the Vares Project (see Note 25), redemption is contingent on the successful draw down of the facility. Expected term of redemption calculated as 1.08 years from the valuation date.
- Expected volatility – Weekly volatility over the 1.08 years (56 weeks) was calculated as 46.72% prevailing on ASX as of the valuation date.
- Risk-free rate – Risk free yield obtained from Australian Treasury bond issues converted into continuous compound yields.
- Value of underlying common stock price – The closing price of ordinary shares A\$ 2.45 on the valuation date on the ASX

Using the assumptions set out above, Black Scholes value of call option in hands of Bondholder is £1,849,962.

Sensitivity Analysis

Inputs to the Black Scholes model are based on management judgements regarding probabilities of future events. The results are sensitive to changes in key assumptions, namely the expected term of the bonds and the volatility of the Company's share price.

		Change in volatility of Company's share price		
		20%	(Unchanged (46.72%))	50%
Change in expected term	26 Weeks	£1.67m Decrease	£0.8m Decrease	£0.69m Decrease
	Unchanged (56 weeks)	£1.39m Decrease	-	£0.18m Increase
	91 Weeks	£1.2m Decrease	£0.46m Increase	£0.67m Increase

(In GBP)	QRC Loan Payable	Fair Value Option
At 30 June 2020	-	-
Additions	(14,956,849)	-
Interest accruing	(105,515)	-
Foreign Exchange gain	321,464	-
Recognition of fair value embedded option	3,045,213	(3,045,213)
At 31 December 2020	(11,695,687)	(3,045,213)
Additions	(1,235,780)	-
Interest accruing	1,351,266	-
Foreign Exchange gain	(300,627)	-
Recognition of fair value embedded option	-	1,195,251
At 31 December 2021	(11,880,828)	(1,849,962)

Short term borrowings at 31 December 2021 are £nil (31 December 2020: £105,515). Long term borrowings at 31 December 2021 are £11,880,828 (31 December 2020: £11,590,172). Derivative liabilities at 31 December 2021 are £1,849,962 (31 December 2020: £3,045,213).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

7. Deferred Consideration

Tethyan had entered into an option agreement with EFPP d.o.o. (EFPP) the holders of the Kizevak & Sastavci licences, first closing was completed on 14 May 2020 to acquire 10% equity in EFPP d.o.o. Immediately prior to the completion of the acquisition of Tethyan by the Company the Kizevak & Sastavci licences were spun out to a newly formed company Ras Metals d.o.o. (Ras) in which Tethyan also held a 10% equity interest, which had been a condition precedent to closing of Tethyan acquisition. See Note 10 for details.

At any time within 12 months of the first closing, the Company was able to acquire the remaining 90% ownership stake in Ras Metals by:

- making a payment of €1,365k to the sellers of Ras;
- grant a 2% NSR over the licenses
- issue 664,000 shares of the Company to the sellers in four equal tranches every six months commencing on second closing; and
- make a €0.5m payment on the two-year anniversary of the first closing.

With the exception of the 2% NSR grant over the licenses which can't be reliably estimated at this stage, the fair value of remaining consideration payable under Ras Option agreement was originally estimated at £2,515,399 at 31 December 2020.

On 23 February 2021, the Company completed the acquisition of the entire issued share capital of Ras making payment of €1,365k to the sellers and issuing the first 166,000 shares. On the 24 August 2021 the second tranche of 166,000 shares were issued in line with the agreement. The remaining deferred consideration was estimated as at the balance sheet date.

Cost (In GBP)	Deferred Consideration
At 30 June 2020	-
Additions	2,515,399
At 31 December 2020	2,515,399
Payments made to sellers	(1,188,706)
Value of shares issued to sellers	(447,370)
Revaluation of fair value liability through profit and loss	(20,834)
At 31 December 2021	858,489

Remaining deferred consideration payable as follows:

	31 December 2021	Basis for valuation
Remaining 332,000 Shares to be issued in two equal tranches every six months commencing on second closing; and	£438,240	LSE ADT1 Share price 31 December 2021 = £1.32
€500,000 payment on the two-year anniversary of the first closing	£420,249	€:GBP 31 December 2021 = 1: 0.84050
2% NSR over the licenses	£nil	Can't be reliably estimated at this stage prior to feasibility study
At 31 December 2021	858,489	

On the Raska Project, the Company have not been able to model the 2% NSR over the licenses as we have not yet conducted a definitive feasibility study, nor have we defined a JORC compliant resource.

8. Property, plant and equipment

Cost (In GBP)	Land & Buildings	Plant & Machinery	Mine under Construction	Total
30 June 2020	736,954	246,191	-	983,145
Acquisition Assets	-	87,648	-	87,648
Additions	29,037	61,827	-	90,864
Disposals	-	(9,378)	-	(9,378)
Foreign exchange difference	(10,500)	(2,649)	-	(13,465)
Transfer from Exploration and Evaluation Asset			14,477,144	14,477,144
Additions	108,209	265,193	6,890,950	7,264,352
Disposals	-	(4,751)	-	(4,751)
Foreign exchange difference	(43,145)	(13,869)	(345,580)	(402,864)
31 December 2021	820,555	630,212	21,022,244	22,473,011
Depreciation				
30 June 2020	14,549	57,676	-	72,225
Acquisition Assets	-	70,004	-	70,004
Charge for the period	6,769	29,388	-	36,157
Disposals	-	(6,054)	-	(6,054)
Foreign exchange difference	(342)	(2,323)	-	(2,665)
31 December 2020	20,976	148,691	-	169,667
Transfer from Exploration and Evaluation Asset			133,872	133,872
Charge for the period	15,614	72,930	-	88,544
Disposals	-	(2,546)	-	(2,546)
Foreign exchange difference	(1,153)	(3,479)	8,377	3,745
31 December 2021	35,437	215,596	142,249	393,282
Net Book Value				
30 June 2020	722,405	188,515	-	910,920
31 December 2020	734,516	234,948	-	969,464
31 December 2021	785,118	414,616	20,879,995	22,079,729

Mine under construction is in respect of the Vares Project concession, located in Bosnia & Herzegovina. The balance of Exploration and Evaluation asset were transferred to Mine under Construction at the completion of the Feasibility Study. Once JORC-compliant reserves are established and development is sanctioned, exploration and evaluation assets are tested for impairment and transferred to 'Mines under construction' which is a sub-category of 'Mine properties' and will be subsequently amortised in line with the useful economic life of the mine and rate of depletion of resources. The concession is 100% owned by Eastern Mining d.o.o.

From 25 May 2020, the Vares Project became subject to a minimum annual concession fee of €199,325 per annum. Concession fees are included in additions to exploration and evaluation assets and amortization were charged over the life of the concession granted, until they were transferred to Mines under Construction, upon which amortisation ceased are not amortised until beginning of the production phase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

The Group has three reporting segments and two operating locations which are Bosnia & Herzegovina and Serbia.

The split of land and buildings net book value is as follows:

	Bosnia & Herzegovina	Serbia	Corporate	Total
30 June 2020	705,951	N/A	16,454	722,405
31 December 2020	718,939	-	15,577	734,516
31 December 2021	771,284	-	13,834	785,118

The split of property plant and equipment assets net book value is as follows:

	Bosnia & Herzegovina	Serbia	Corporate	Total
30 June 2020	157,840	N/A	30,675	188,515
31 December 2020	185,129	24,317	25,502	234,948
31 December 2021	339,711	54,362	20,543	414,616

The split of mines under construction net book value is as follows:

	Bosnia & Herzegovina	Serbia	Corporate	Total
30 June 2020	-	N/A	-	-
31 December 2020	-	-	-	-
31 December 2021	20,879,995	-	-	20,879,995

The sensitivity of the Vares Project to key project inputs is considered within the Feasibility Study. Summary of sensitivities chart of Post-Tax NPV 8% US\$ 1062 million (GBP 785 million) to inputs is as follows:



Analysis of sensitivities shows that significant headroom exists over carrying value of Vares Tangible assets (£22,059,745), headroom shown in table below.

GBP (millions)	-20%	-10%	0%	+10%	+20%
Metals Price (+/-%)	513	638	763	887	1,012
Operating Cost (+/-%)	807	784	763	741	719
Initial Capital Cost (+/-%)	784	773	763	752	741
Head Grade (+/-%)	515	637	763	888	1,013

9. Exploration and evaluation assets

Cost (In GBP)	Vares Project in Bosnia & Herzegovina	Raska Project in Serbia	Exploration & Evaluation Assets
30 June 2020	9,154,042	-	9,154,042
Acquisition (note 10)	-	24,456,506	24,456,506
Additions	3,052,019	-	3,052,019
Foreign exchange difference	(63,870)	-	(63,870)
31 December 2020	12,142,191	24,456,506	36,598,697
Additions	2,857,010	-	2,857,010
Foreign exchange difference	(522,057)	-	(522,057)
Transfer to Mines under Construction	(14,477,144)	-	(14,477,144)
31 December 2021	-	24,456,506	24,456,506
Amortisation			
30 June 2020	108,873	-	108,873
Charge for the period	11,469	-	11,469
Foreign exchange difference	(1,369)	-	(1,369)
31 December 2020	118,973	-	118,973
Charge for the period	28,889	-	28,889
Foreign exchange difference	(13,990)	-	(13,990)
Transfer to Mines under Construction	(133,872)	-	(133,872)
31 December 2021	-	-	-
Net Book Value			
30 June 2020	9,045,169	-	9,045,169
31 December 2020	12,023,218	24,456,506	36,479,724
31 December 2021	-	24,456,506	24,456,506

Exploration and evaluation assets include amount of £24,456,506 added in the comparative period in respect of Tethyan exploration rights for the TAOR d.o.o. Kremice licence (measured at historical cost £1,587,934) and Ras Metals d.o.o. licences Kizevak & Sastavci measured as the consideration paid for the combined Tethyan group minus the net book value of assets, being £22,868,571. The remaining exploration and evaluation assets were in respect of the Vares Project concession, located in Bosnia & Herzegovina which were then transferred to Mines under Construction following the completion of the Feasibility Study in August 2021.

10. Acquisition note

On 23 February 2021, the Company completed the acquisition of the entire issued share capital of Ras Metals d.o.o. (Ras) under an agreement (Ras Option Agreement) held by Adriatic Metals Jersey Ltd (formerly Tethyan Resource Corp), a wholly owned subsidiary of the Company. The consideration paid on 23 February 2021 for the remaining 90% of the shares in Ras that the Company did not already hold was €1,365,000 in cash plus the allotment of 166,000 Ordinary shares of £0.013355 each in the Company.

Second tranche of shares was issues for 166,000 ordinary shares on 22 August 2021. Additionally, deferred consideration still to be paid at 31 December 2021 of €500,000 in cash, is payable on 14 May 2022, and 332,000 Ordinary shares in the Company that will be allotted in two equal tranches on or around, 22 February 2022 and 22 August 2022.

With the exception of the 2% NSR grant over the licenses which can't be reliably estimated at this stage, the fair value of remaining consideration payable under the Ras Option Agreement was originally estimated at £2,515,399 as at 31 December 2020, subsequent movements are detailed in Note 7.

The Group had initially recognised a 90% non-controlling interest in Ras Metals d.o.o. as part of the acquisition of the Tethyan Resource Corp. group which finalised on 8 October 2020. Upon the acquisition of the remaining 90% of the shares in Ras that the Company did not already on 23 February 2021 the balance of the non-controlling interest was transferred to Retained Earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Measurement of assets and liabilities

IFRS 10 requirement to record assets acquired at cost; cost is allocated over the group of assets at relative fair value. Consideration above the historical book value of assets should be recognised as an exploration and evaluation asset (representing the value of the rights contained within licenses acquired).

The Kremice license was historically accounted for as an asset acquisition by the Tethyan Group when originally acquired. The fair value of the consideration paid was determined and allocated as to Exploration and evaluation assets of €250,000 cash plus 12,000,000 shares issued in Tethyan, equating to £1,587,934. The net liability position of 100% owned Tethyan companies when acquired was £189,687 which includes the aforementioned exploration and evaluation assets. The Kizevask & Sastavci licenses held by Ras Metals d.o.o. have been assigned the balancing value between Tethyan net liabilities £189,687 and the total consideration payable £22,678,884, being £22,868,571. The combined exploration and evaluation assets capitalised totals £24,456,505 at 31 December 2020.

(In GBP)

Total Fair Value of Consideration to be paid	22,868,571
Exploration assets included within the net assets of Tethyan 100% owned entities	1,587,934
Total exploration and evaluation asset value	24,456,505

As part of the agreement to acquire Tethyan Group, the Company provided a convertible loan facility to Tethyan and had advanced €1.8 million under the facility to the date of acquisition on 8th October 2020 including £723,300 in the 6 month period to 31 December 2020. Effective the same date this loan was amended removing the convertible option from the loan and the conversion value £322,987 was released to the profit and loss in the current period. As at 31 December 2020, this financial instrument was eliminated on consolidation for the Group.

The fair value of the remaining consideration to be paid of £2,515,399 has been recognised as deferred consideration, which reduces as amounts are settled and any difference arising from changes in the fair value of the deferred consideration is recognised in the profit & loss.

Asset acquisition

The net cash used in the acquisition of subsidiaries and the book value of assets acquired and liabilities assumed on the acquisition date is detailed below:

(In GBP)

Book Value

Cash and cash equivalents	311,964
Other receivables and prepayments	56,349
Property, plant and equipment	17,644
Exploration & evaluation asset	1,587,934
Accounts payable and accrued liabilities	(522,740)
Related party borrowings	(1,640,838)
Total Assets acquired	(189,687)

Management determined there was no present access to returns in Ras Metals d.o.o. owing to the variable consideration included in the exercise price as at 31 December 2020. As such the Group recognised a 90% non-controlling interest in Ras Metals d.o.o. totalling £2,515,399 measured as the balancing figure between the fair value of the acquisition, fair value of Tethyan assets acquired, the investment recognised in the company accounts.

Total loss attributable to non-controlling interest post 8 October 2020 acquisition in the period to 31 December 2020 totals (£519,111), combined with the amount recognised on acquisition of £2,515,399, the balance of non-controlling interest at 31 December 2020 was £1,996,288.

Further losses of (£194,384) were incurred by Ras Metals under the option agreement bringing the non-controlling interest to £1,801,904, which upon the acquisition of the remaining share capital on 23 February 2021 the balance of the non-controlling interest was transferred to Retained Earnings.

11. Accounts payable and accrued liabilities

(In GBP)	31 December 2021	31 December 2020
Trade payables	389,213	1,222,012
Accrued liabilities	2,047,360	639,743
Other payables	756,065	38,682
	3,192,638	1,900,437

Other payables includes amounts payable in relation to cash settled STIP.

12. Right of use asset and lease liabilities

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

(In GBP)	Land & buildings
30 June 2020	251,898
Amortisation	(15,549)
31 December 2020	236,349
Additions	363,220
Foreign Exchange Difference	251
Amortisation	(57,786)
31 December 2021	542,034

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

The right of use asset relates to the lease on several administrative buildings and coresheds for the Group. Under IFRS 16 this has been recognised as a right of use asset.

Set out below are the carrying amounts of lease liabilities and the movements during the year:

(In GBP)

30 June 2020	265,621
Interest expense	10,523
Payments	(20,803)
31 December 2020	255,341
Additions	362,452
Interest expense	24,317
Foreign Exchange difference	(4,123)
Payments	(70,929)
31 December 2021	567,058

Of this amount, £104,725 is recognised as a current liability and the remainder £462,333 is shown within non-current liabilities.

The following are the amounts recognised in profit or loss:

Cost (In GBP)	31 December 2021	31 December 2020
Depreciation expense of right-of-use assets	57,786	15,549
Interest expense on lease liabilities	24,317	10,523
Total amount recognised in profit or loss	82,103	26,072

13. Financial instruments

IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction. Set out below are the financial instruments held at amortised cost and fair value through profit or loss and their fair value measurement hierarchy (excluding short term assets and liabilities).

See note referenced for further detail on inputs to fair value for each financial instrument.

As at 31 December 2021 (In GBP)	Note	At amortised cost	At fair value through profit or loss	Total	Fair Value Hierarchy
Financial assets					
Cash and cash equivalents		83,170,672	-	83,170,672	N/A
Total financial assets		83,170,672	-	83,170,672	-
Financial liabilities					
Accounts payable and accrued liabilities	11	3,192,638	-	3,192,638	N/A
Borrowings	6	11,880,828		11,880,828	Level 3
Borrowings – derivative liability	6	-	1,849,962	1,849,962	Level 3
Deferred Consideration	7	-	858,489	858,489	Level 3
Lease liabilities	12	567,058		567,058	Level 3
Total financial liabilities		15,640,524	2,708,451	18,348,975	
Net financial assets		67,530,148	(2,708,451)	64,821,697	

As at 31 December 2020 (In GBP)	Note	At amortised cost	At fair value through profit or loss	Total	Fair Value Hierarchy
Financial assets					
Cash and cash equivalents		29,580,538	-	29,580,538	N/A
Other receivables and prepayments	5	146,816		146,816	N/A
Total financial assets		29,727,354	-	29,727,354	-
Financial liabilities					
Accounts payable and accrued liabilities	11	1,900,437	-	1,900,437	N/A
Borrowings	6	11,695,687		11,695,687	Level 3
Borrowings – derivative liability	6	-	3,045,213	3,045,213	Level 3
Deferred Consideration	7	-	2,515,399	2,515,399	Level 3
Lease liabilities	12	255,341		255,341	Level 3
Total financial liabilities		13,851,465	5,560,612	19,412,077	
Net financial assets		15,875,889	(5,560,612)	10,315,277	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

14. Financial risk management

a. Credit risk

Credit risk arises from the risk that a counter party will fail to perform its obligations. Financial instruments that potentially subject the Group to concentrations of credit risk consist of cash and cash equivalents and other receivables.

Due to the nature of the business, the Company's exposure to credit risk arising from routine operating activities is currently inherently low. However, the Audit & Risk Committee considers the risks associated with new material counterparties where applicable to ensure the associated credit risk is of an acceptable level.

The Group's cash is held in major UK, Australian, Serbian and Bosnian financial institutions, and as such the Group is exposed to credit risks of those financial institutions. Under Standard & Poor's short-term credit ratings, the Group's cash balances are all held in institutions with either an A-1 or A-2 rating and as such are considered to have low credit risk.

The total carrying amount of cash and cash equivalents and other receivables represents the Group's maximum credit exposure.

The Group's other receivables predominantly relate to value added tax receivables due from governments in the UK and Bosnia & Herzegovina. These amounts are excluded from the definition of financial instruments in the accounts and in and event are considered to have low credit risk. Of the remaining other receivables and prepayments, any changes in management's estimate of the recoverability of the amount due will be recognised in the period of determination and any adjustment may be significant.

The Board of Directors, with input from the Audit & Risk Committee is ultimately responsible for monitoring exposure to credit risk on an ongoing basis and does not consider such risk to be significant at this time. As such, the Group considers all of its accounts financial assets to be fully collectible.

b. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

The following table illustrates the contractual maturity analysis of the Group's gross financial liabilities based on exchange rates on the reporting date. Contractual gross financial liabilities, shown below, are undiscounted estimated cash outflows which were applicable includes estimated future interest payments.

As at 31 December 2021 (In GBP)	Within 30 days	30 days to 6 months	6 to 12 months	Over 12 months
Accounts payable and accrued liabilities	3,034,385	-	-	158,253
Borrowings	-	-	-	11,880,828
Derivative liability	-	-	-	1,849,962
FV Option Liability on acquisition	-	639,369	219,120	-
Lease liabilities	-	52,363	52,362	462,333
	3,034,385	691,732	271,482	14,351,376
As at 31 December 2020 (In GBP)	Within 30 days	30 days to 6 months	6 to 12 months	Over 12 months
Accounts payable and accrued liabilities	2,172,496	-	-	-
Borrowings	-	105,515	-	11,590,172
Derivative liability	-	-	-	3,045,213
FV Option Liability on acquisition	-	1,412,391	223,685	879,323
Lease liabilities	-	17,805	17,805	219,731
	2,172,496	1,440,711	241,490	16,613,762

c. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the value of the Group's financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximising long term returns.

The Group conducts development and exploration projects in Bosnia & Herzegovina. As a result, a portion of the Group's expenditures, other receivables, cash and cash equivalents, accounts payables and accrued liabilities are denominated in Bosnian Marks, Great Britain Pounds, Australian Dollars, US Dollars, and Euros and are therefore subject to fluctuation in exchange rates.

As at 31 December 2021, a 10% change in the exchange rate between the Great Britain Pound and the Bosnian Mark and Serbian Dinar, which is a reasonable estimation of volatility in exchange rates, would have an approximate £0.4 million change to the Group's total comprehensive loss.

d. Fair values

The fair value of cash, other receivables, accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of the instruments.

Fair value measurements recognised in the statement of financial position subsequent to initial fair value recognition can be classified into Levels 1 to 3 based on the degree to which fair value is observable.

Level 1 – Fair value measurements are those derived from quoted prices in active markets for identical assets and liabilities.

Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly, or indirectly.

Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

There were no transfers between any levels of the fair value hierarchy in the current or prior years.

e. Capital management

The Group's objectives in managing capital are to safeguard its ability to operate as a going concern while pursuing exploration and development and opportunities for growth through identifying and evaluating potential acquisitions of assets or businesses. The Company defines capital as the equity attributable to equity shareholders of the Company which at 31 December 2021 was £113,540,984 (31 December 2020: £46,512,225).

The Group sets the amount of capital in proportion to risk and corporate growth objectives. The Group manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

15. Equity

a. Authorised share capital

The authorised share capital of the Company consists of an unlimited number of voting ordinary shares with a nominal value of £0.013355.

b. Common shares issued

	Shares	Share Capital (In GBP)	(Restated) Share Premium In GBP)	(Restated) Merger Reserve (In GBP)
30 June 2020	179,840,987	2,401,777	23,992,967	-
Issue of share capital	5,276,595	70,469	6,129,531	-
Shares issued on acquisition of subsidiary	13,278,937	177,340	-	17,256,579
Settlement placement	4,830,156	64,507	4,791,547	-
Share issue costs	-	-	(1,598,603)	-
Shares issued on exercise of options and performance rights	4,350,000	58,093	203,817	-
31 December 2020	207,576,675	2,772,186	34,519,259	17,256,579
Issue of share capital	49,350,000	659,069	73,782,979	-
Shares issued on acquisition of subsidiary	332,000	4,434	-	453,268
Settlement placement	1,287,236	17,191	846,948	-
Share Issue costs	-	-	(3,277,759)	-
Shares issued on exercise of options and performance rights	6,542,958	87,382	711,997	-
Shares issued on exercise of warrants	984,371	13,146	1,125,005	-
31 December 2021	266,073,240	3,553,408	107,708,429	17,709,847

The average price paid for shares issued in the period was £1.33 per share (31 December 2020: £1.06 per share).

Settlement placement refers to the following: Adriatic announced on 3 November 2020 that it had entered into a Deed of Settlement and Release with Sandfire where both parties had agreed to settle dispute as announced on 31 July 2020. Sandfire has chosen to exercise its ongoing anti-dilution right in respect of subsequent issues of equity by the Company since the settlement, up to the point of the Orion Equity raise, as per the results of placing announced on 13 October 2021, Sandfire sold its entire holding in the Company and at which point no longer held an ongoing anti-dilution right.

c. Share options and performance rights

All share options and performance rights are issued under the Group's share option plan.

The following tables summarise the activities and status of the Company's share option plan as at and during the year ended 31 December 2021.

	Weighted average exercise price of options (A\$)	Number of options	Number of performance rights	Total options and performance rights
30 June 2020	0.46	19,600,000	3,810,000	23,410,000
Issued	2.20	1,000,000	2,575,000	3,575,000
Acquired Tethyan Acquisition	0.66	469,779	-	469,779
Exercised	0.61	(3,700,000)	(650,000)	(4,350,000)
Expired	-	-	(2,000,000)	(2,000,000)
31 December 2020	0.53	17,369,779	3,735,000	21,104,779
Issued	0.01	-	1,657,259	1,657,259
Exercised	0.38	(3,140,699)	(3,402,259)	(6,542,958)
Expired	0.42	(2,016,600)	(1,000,000)	(3,016,600)
31 December 2021	0.53	12,212,480	990,000	13,202,480

On exercise, holders of performance rights are required to pay £0.013355 for each performance right exercised, being the nominal value of one ordinary share.

Options and performance rights granted in the Period were valued using the Black-Scholes method (section f).

As at 31 December 2021

Grant date	Options outstanding	Exercise price	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable
27 April 2018	9,000,000	A\$0.20	1.5	1 July 2023	9,000,000
29 November 2019	1,000,000	A\$1.00	0.9	28 November 2022	1,000,000
29 November 2019	1,000,000	A\$1.25	0.9	28 November 2022	1,000,000
8 October 2020	41,500	£1.06	0.9	5 December 2022	41,500
8 October 2020	29,880	£1.06	1.0	3 January 2023	29,880
8 October 2020	91,300	£1.80	2.2	28 February 2024	50,630
8 October 2020	24,900	£2.22	2.2	7 March 2024	7,470
8 October 2020	24,900	£1.20	2.6	19 August 2024	7,470
6 November 2020	1,000,000	A\$2.20	1.9	7 November 2023	1,000,000
	12,212,480				12,136,950

As at 31 December 2020

Grant date	Options outstanding	Exercise price	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable
27 April 2018	9,000,000	A\$0.20	2.5	1 July 2023	9,000,000
27 April 2018	1,900,000	A\$0.30	0.5	1 July 2021	1,900,000
27 April 2018	1,000,000	A\$0.40	0.5	1 July 2021	1,000,000
29 May 2018	1,000,000	A\$0.40	0.4	5 June 2021	1,000,000
29 November 2019	1,000,000	A\$1.00	1.9	28 November 2022	1,000,000
29 November 2019	2,000,000	A\$1.25	1.9	28 November 2022	2,000,000
8 October 2020	182,600	GBP £0.88	0.6	16 August 2021	182,600
8 October 2020	27,666	GBP £0.85	1.0	21 December 2021	27,666
8 October 2020	88,533	GBP £1.06	1.9	5 December 2022	88,533
8 October 2020	29,880	GBP £1.06	2.0	3 January 2023	29,880
8 October 2020	91,300	GBP £1.80	3.2	28 February 2024	39,010
8 October 2020	24,900	GBP £2.22	3.2	7 March 2024	2,490
8 October 2020	24,900	GBP £1.20	3.6	19 August 2024	2,490
6 November 2020	1,000,000	A\$2.20	2.9	7 November 2023	1,000,000
	17,369,779				17,272,669

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

On exercise, holders of performance rights are required to pay £0.013355 for each performance right exercised, being the nominal value of one ordinary share.

As at 30 June 2021

Grant date	Performance rights outstanding	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable
29 November 2019	50,000	0.9	28 November 2022	50,000
6 August 2020	500,000	3.0	31 December 2024	-
18 November 2020	40,000	1.0	31 December 2022	40,000
30 June 2021	100,000	1.0	31 December 2022	100,000
30 June 2021	50,000	1.2	31 March 2023	-
30 June 2021	100,000	2.2	31 March 2024	-
01 July 2021	150,000	1.5	30 June 2023	-
	990,000			190,000

As at 31 December 2020

Grant date	Performance rights outstanding	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable
29 November 2019	1,160,000	1.9	28 November 2022	410,000
12 June 2020	250,000	4.0	6 January 2025	-
6 August 2020	1,000,000	3.0	31 December 2023	-
6 August 2020	500,000	4.0	31 December 2024	-
18 November 2020	825,000	2.0	31 December 2022	-
	3,735,000			410,000

d. Warrants reserve

Warrants were issued as part of Tethyan Resource Corp acquisition.

The following table presents changes in the Group's warrants reserve during the year ended 31 December 2021:

(In GBP)	Warrants reserve
30 June 2020	-
Issue of Warrants on acquisition of Tethyan	2,797,086
31 December 2020	2,797,086
Exercise of warrants	(473,332)
Expired warrants	(167,872)
31 December 2021	2,155,882

As at 31 December 2021

Grant date	Warrants outstanding	Exercise price	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable
8 October 2020	2,651,020	A\$0.88	3.1	30 January 2024	2,651,020
	2,651,020				2,651,020

e. Share-based payment reserve

The following table presents changes in the Group's share-based payment reserve during the year ended 31 December 2021:

(In GBP)	Share-based payment reserve
30 June 2020	4,426,185
Exercise of share options	(1,173,926)
Acquisition of subsidiary	236,571
Issue of options	2,267,239
31 December 2020	5,756,069
Exercise of share options	(2,723,021)
Issue of options	2,098,430
Cancellation of share options	(663,857)
31 December 2021	4,467,621

f. Share-based payment expense

During the year ended 31 December 2021; the Group recognised £2,098,430 (31 December 2020: £2,267,239) of share-based payment expense. The fair value of the share-based compensation was estimated on the dates of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

For the year ended	31 December 2021	31 December 2020
Risk-free interest rate	0.01%	0.01%
Expected volatility ⁽¹⁾	44.14% - 44.21%	63.65% - 97.76%
Expected life (years)	1.5 - 2.75	0.85 - 4.41
Fair value per option	£1.33 - £1.35	£0.55 - £1.29

1. Expected volatility is derived from the Company's historical share price volatility.

With the exception of options granted to Non-Executive directors during the comparative period (31 December 2020: 1,000,000) that vested immediately, all options and performance rights have both market and non-market vesting conditions. Non-market vesting conditions include group and individual performance targets such as permitting milestones, exploration drilling rates or completion of business improvement projects. Details of the vesting condition relating to options and performance rights issued to executive Directors are included in the Remuneration & Nominations Committee Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

g. Per share amounts

	Year ended 31 December 2021	6 months ended 31 December 2020
Loss for the period attributable to owners of equity (In GBP)	10,813,736	5,694,503
Weighted average number of common shares for the purposes of basic loss per share	220,323,937	190,619,399
Weighted average number of common shares for the purposes of diluted loss per share	245,652,425	213,827,441
Basic and diluted loss per share (pence)	(4.72)	(2.99)

Total of 990,000 (31 December 2020: 3,375,000) options and performance rights have not been included in the calculation of diluted EPS because their exercise is contingent on the satisfaction of certain criteria that had not been met at 31 December 2021.

Basic and diluted loss per share are the same whilst the Group is loss making in the pre production phase.

h. Foreign Currency Translation Reserve

(in GBP)	Foreign Currency Translation Reserve
30 June 2020	219,805
Other comprehensive income	5,775
31 December 2020	225,580
Other comprehensive income	(424,843)
31 December 2021	(199,263)

i. Cash flow from financing activities

Net cash flow proceeds from the issue of ordinary shares in the period was £77,243,716 (31 December 2020: £12,317,964). Transaction costs arising from financing activities totals £3,265,212 (31 December 2021: £1,447,201).

16. Taxation

a. Current taxation

The tax charge for the period comprises:

(In GBP)	Year ended 31 December 2021	6 months ended 31 December 2020
Current tax expense	-	-
Prior year tax expense	-	1,681
Overseas tax	-	-
Deferred tax expense	-	-
Adjustments to deferred tax liability	-	-
Total tax expense	-	1,681

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation in the United Kingdom applied to loss for the year is as follows:

(In GBP)	Year ended 31 December 2021	6 months ended 31 December 2020
Loss before tax	10,388,893	5,696,184
Expected income tax recovery a- 19% (2019 - 19%)	1,974,400	1,082,275
Expenses not deductible for tax purposes	(151,783)	19,384
Different Tax rates applied in overseas jurisdictions	(521,219)	(46,601)
Unrecognised taxable losses and timing differences	(1,301,398)	(1,055,058)
Adjustment for under/(over) provision in previous periods	-	(1,681)
Total income taxes	-	(1,681)

b. Deferred tax

The Group has no recognised deferred tax balance or gain/loss for the year ended 31 December 2021 or period ending 31 December 2020 or 30 June 2020 because of uncertainty regarding future taxable profits. As at 31 December 2021, the Group has, for tax purposes, non-capital losses available to carry forward to future years as follows:

(In GBP)	31 December 2021	31 December 2020	Expiry Date
UK	14,937,988	12,323,011	Not applicable
Bosnia & Herzegovina	2,146,313	1,417,043	5 years
Serbia	6,546,899	3,073,548	5 years
Canada	-	960,972	20 years
	23,631,200	17,774,574	

The expiry of non-capital losses available to carry forward in Bosnia & Herzegovina and Serbia is as follows:

31 December 2021

(In GBP)	Serbia	Bosnia & Herzegovina
Within one year	49,436	205,596
1-2 years	653,104	220,180
2-3 years	722,580	392,646
3-4 years	1,253,821	490,144
Within 5 years	3,867,958	837,747
	6,546,899	2,146,313

As a result of the Tethyan acquisition, Tethyan Resource Corp (incorporated in Canada), subsequently corporate migration occurred and no longer operating in Canada. As such no longer showing any losses available to carry forward to future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

17. Exploration activities expensed

Exploration and evaluation expenditure incurred on licences where a JORC-compliant resource has not yet been established is expensed as incurred until sufficient evaluation has occurred in order to establish a JORC-compliant resource.

(In GBP)	Year ended 31 December 2021	6 months ended 31 December 2020
Exploration activities expensed	2,880,700	798,028

18. General and administrative expenses

(In GBP)	Year ended 31 December 2021	6 months ended 31 December 2020
Wages and salaries	2,020,765	616,278
Consultancy fees	984,534	468,047
Cash remuneration in respect of qualifying services	3,005,299	1,084,325
Professional fees	921,017	313,760
Amortisation	86,675	27,017
Depreciation	88,544	36,157
Audit fee	83,765	100,175
Non audit services	25,000	-
Marketing	250,379	75,250
Stock exchange fees	174,539	136,166
Other costs	639,509	342,857
	5,274,727	2,115,707

19. Finance income and expense

(In GBP)	Year ended 31 December 2021	6 months ended 31 December 2020
Finance income	-	-

(In GBP)	Year ended 31 December 2021	6 months ended 31 December 2020
Interest Expense	1,250,667	82,749
Interest expense on lease liabilities	24,330	10,518
Foreign exchange loss	801,849	103,772
Finance expense	2,076,846	197,039

20. Segmental information

It is the opinion of the Directors that there are three reporting segments within the operations of the Group which are assessed when evaluation performance

Split of performance is below:

Segmental Split (In GBP)	Year ended 31 December 2021				Six months ended 31 December 2020			
	Bosnia & Herzegovina	Serbia	Corporate	Total	Bosnia & Herzegovina	Serbia	Corporate	Total
Exploration activities expenses	(439)	(2,880,261)	-	(2,880,700)	(5,015)	(793,013)	-	(798,028)
General and administrative expenses	(882,106)	(651,361)	(3,741,260)	(5,274,727)	(249,932)	(425,935)	(1,440,840)	(2,115,707)
Share-based payment expense	-	-	(1,434,574)	(1,434,574)	-	-	(2,267,239)	(2,267,239)
Other Income	52,098		9,771	61,869	-	-	4,816	4,816
Operating Loss	(830,447)	(3,531,622)	(5,166,063)	(9,528,132)	(254,947)	(1,217,948)	(3,703,263)	(5,176,158)
Finance income	-	-	-	-	-	-	-	-
Finance expense	-	-	(2,076,846)	(2,076,846)	-	-	(197,039)	(197,039)
Revaluation of fair value asset	-	-	-	-	-	-	(322,987)	(322,987)
Revaluation of derivative liability	-	-	1,195,251	1,195,251	-	-	-	-
Revaluation of fair value liability	-	-	20,834	20,834	-	-	-	-
Loss before tax	(830,447)	(3,531,622)	(6,026,824)	(10,388,893)	(254,947)	(1,217,948)	(4,223,289)	(5,696,184)
Tax charge	-	-	-	-	-	-	1,681	1,681
Loss after tax	(830,447)	(3,531,622)	(6,026,824)	(10,388,893)	(254,947)	(1,217,948)	(4,221,608)	(5,694,503)
Exploration and evaluation assets additions capitalised	2,857,010	-	-	2,857,010	3,052,019	24,456,506	-	27,456,506
Mine under construction additions capitalised	6,890,950	-	-	6,890,950	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

21. Other Income

(In GBP)	Year ended 31 December 2021	6 months ended 31 December 2020
Miscellaneous income	47,282	-
Recharge of corporate office facilities and services	14,587	4,816
	61,869	4,816

Miscellaneous income in year ended 31 December 2021 relates to the sale of scrap metal as part of preparatory works at the Vares processing plant (6 months ended 31 December 2020; nil). Recharge of corporate office facilities and services relates to shared facilities of registered UK office address, see related party disclosures for more details.

22. Related party disclosures

a. Related party transactions

The Group's related parties include key management personnel, companies which have directors in common and their subsidiaries and any entities which the Company may exert significant influence over. The Company has identified the following related parties:

- Swellcap Limited, an entity controlled by Paul Cronin
- Blackdragon Gold Corp, an entity of which Paul Cronin is the CEO and Managing Director
- The Adriatic Foundation

Transactions and balances with these related parties were as follows:

Related Party (In GBP)	Year ended 31 December 2021		6 months ended 31 December 2020		Nature of transactions
	(Payments to)/ received from	Balance (owed to)/due from	(Payments to)/ received from	Balance (owed to)/due from	
Swellcap Limited	(13,899)	-	(258)	(13,899)	Corporate office facilities and services
Blackdragon Gold Corp	8,097	1,674	-	-	Corporate office facilities and services
Adriatic Foundation	(5,410)	-	-	-	Initial establishment costs
Adriatic Foundation	(9,477)	-	-	-	S Karic's waived board fees
Adriatic Foundation	(85,955)	-	-	-	Donation of €100,000.

During the period Paul Cronin gifted 250,000 ordinary shares held in the Company to the Foundation for nil consideration fulfilling the initial funding commitments made to the Foundation at the time of its launch. Additionally, the Company also announced on 9th June 2021 that it intends to donate 0.25% of the future profits from its operations in Bosnia & Herzegovina to the Foundation.

Transactions with key management personnel are disclosed below.

b. Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel are considered to be the Non-Executive Directors, the Managing Director and Chief Executive Officer and the Chief Financial Officer, their remuneration is presented below:

(In GBP)	Year ended 31 December 2021	6 months ended 31 December 2020
Board fees	158,309	104,766
Consultancy fees	415,072	172,991
Cash bonus paid	70,000	-
Accrued cash bonus	196,133	-
Cash remuneration in respect of qualifying services	839,514	277,757
Share based payments expense	243,971	736,715
Social security costs	28,262	15,030
	1,111,747	1,029,503

Share based payments expense is stated at fair value at the time of grant using the Black-Scholes Option Pricing Model. Further details are available in note 15f of the accounts.

Consultancy fees above include the following amounts paid to related parties or companies controlled by key management personnel:

Related Party (In GBP)	Controlling Party	12 months ended 31 December 2021		6 months ended 31 December 2020	
		(Payments to)/ received from	Balance (owed to)/due from	(Payments to)/ received from	Balance (owed to)/due from
Swellcap Limited	Paul Cronin	-	-	84,999	-
Paul Cronin	Not applicable	313,406	97,437	-	-
GPE Consulting Limited	Geoff Eyre	171,667	98,696	87,992	-

The balance due to related parties is in respect of the Company's annual STIP. Of this amount, 50% was paid in January 2022 and the remained will be paid in January 2023 provided that the individuals remain in the service of the Company at that time.

23. Directors and employees

Employees of the Group are all employees including Directors, key management personnel and personnel in management positions engaged via management services contracts. The below information relates to all employees and all costs, including those capitalised.

(In GBP)	Year ended 31 December 2021	6 months ended 31 December 2020
Gross salaries	1,994,662	724,217
Consultancy fees	819,422	305,914
Cash remuneration in respect of qualifying services	2,814,084	1,030,131
Social security costs	447,001	80,813
Defined contribution pension cost	9,231	2,306
Share based payments expense	1,434,574	2,267,239
Total	4,704,890	3,380,489
Average number of employees	109	73

Average number of employees has increased to 109 in the period (30 June 2020 – 73 employees) due to increasing staff numbers as the Vares Project progresses as well as full year of headcount included in year ended 31 December 2021 relating to the Raska Project.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Share based payments expense is stated at fair value at the time of grant using the Black-Scholes Option Pricing Model. Further details are available in note 15f of the accounts.

Directors' remuneration totalled the following:

(In GBP)	Year ended 31 December 2021	6 months ended 31 December 2020
Board fees	158,309	104,767
Consultancy fees	243,406	84,999
Cash bonus paid	70,000	-
Accrued cash bonus	97,437	-
Cash remuneration in respect of qualifying services	569,152	189,766
Average number of Directors	6	6

Additionally, the monetary value of directors' share awards that vested in the period, calculated as the number of awards vested multiplied by the share price on the vesting date less options exercise price or performance rights nominal value payable, was £1,088,550 (31 December 2020: £66,244) of which £nil relates to Non-Executive Directors (31 December 2020: £66,244).

The highest paid Director in the year ended 31 December 2021 received cash remuneration, excluding notional gains on share options or performance rights, of £313,406 (31 December 2020: £106,859). The highest paid Director in the year ended 31 December 2021 received remuneration, inclusive of the monetary value of share awards that vested in the year, of £1,401,956 (31 December 2020: £106,859).

24. Commitments and contingencies

The Group had no significant commitments as at 31 December 2021 (31 December 2020: £nil), other than the lease held by the Group disclosed in note 12 and annual concession fees disclosed in note 8.

25. Prior year adjustment

During the six months ended 31 December 2020 (the comparative reporting period) equity issued in respect of the acquisition of Tethyan Resource Corp had previously been recorded as an increase to share capital and share premium.

When a company issues shares, the basic rule contained in section 610 of the Companies Act 2006 is that those shares should be accounted for at the value of consideration received in exchange. Any excess over the nominal value of the shares issued is recorded in the share premium account.

Merger relief is a Companies Act relief from the creation of a share premium account on the issue of shares. Broadly, it applies where a company issues equity shares in consideration for the shares of another company (ie, a share for share exchange) where, as part of the arrangement, it secures at least a 90% equity holding in the other company. The specific criteria for merger relief are set out in section 612 of the Companies Act 2006. Where the criteria are met, the relief must be applied and therefore no share premium is recorded on the issue of the shares.

The company acquired 100% of the equity holding in Tethyan Resource Corp and therefore meets the criteria. The adjustment to the comparative figures for the six months ended 31 December 2020 represents a change in classification within equity only, with a £16,952,489 decrease in the share premium account, an increase in merger reserve of £17,256,579. Note that £304,090 costs directly attributable to raising equity were also included within share premium and these have been reallocated to retained deficit in line with the requirements when merger relief has been applied. There is no impact on the Group and Parent Company net assets, profit or loss or cash flow statement for the period ended 31 December 2020.

26. Subsequent events

The Company allotted 166,000 on 7 March 2022 relating to the deferred consideration payable following the Company's completion of the acquisition of the entire issued share capital of Ras Metals d.o.o. (Ras) on 23 February 2021.

The Orion Debt Financing was completed on 10 January 2022 consistent with the Company's announcement on 13 October 2021 that it had agreed a term sheet with Orion Resource Partners (UK) LLP for a US\$142.5 million debt financing package comprising:

- US\$120.0 million senior secured debt; and
- US\$22.5 million copper stream

No funds have yet been drawn under the facility and financial close remains subject to satisfaction of customary conditions precedent.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

(In GBP)	Note	31 December 2021	(Restated) 31 December 2020
ASSETS			
Current assets			
Cash and cash equivalents		73,077,051	27,983,443
Other receivables and prepayments	f	6,161,387	5,118,660
Total current assets		79,238,438	33,102,103
Non-current assets			
Investment in subsidiaries	i	45,154,403	35,390,720
Other receivables and prepayments	f	13,819,993	-
Property, plant and equipment	g	34,378	41,079
Right of use asset	o	209,338	236,349
Total non-current assets		59,218,112	35,668,148
Total assets		138,456,550	68,770,251
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	h	1,761,009	3,740,393
Lease liabilities	p	23,291	35,609
Deferred Consideration	j	858,489	-
Borrowings	j	-	105,515
Total current liabilities		2,642,789	3,881,517
Non-current liabilities			
Accounts Payable and accrued liabilities	h	13,616	-
Lease liabilities	p	210,483	219,731
Borrowings	j	11,880,828	11,590,172
Derivative Liability	j	1,849,962	3,045,213
Total non-current liabilities		13,954,889	14,855,116
Total liabilities		16,597,678	18,736,633
Shareholders' equity			
Share capital	l	3,553,408	2,772,186
Share premium	l	107,708,429	34,519,259
Merger reserve	l	17,709,847	17,256,579
Share-based payment reserve	l	4,467,621	5,756,069
Warrants reserve expense	l	2,155,882	2,797,086
Retained earnings	l	(13,736,315)	(13,067,561)
Total shareholders' equity		121,858,872	50,033,618
Total liabilities and shareholders' equity		138,456,550	68,770,251

See note 25 of the Consolidated Financial Statements for details of the restatement of the prior year comparatives.

The accompanying notes on pages 164 - 172 are an integral part of these Parent Company Financial Statements.

The Company's loss after tax for the year ended 31 December 2021 was £4,022,648 (six months ended 31 December 2020: £4,957,675).

The Parent Company Financial Statements of Adriatic Metals PLC, registered number 10599833, were approved and authorised for issue by the Board of Directors on 29 March 2022 and were signed on its behalf by:

Paul Cronin
Managing Director & Chief Executive Officer

Geoff Eyre
Chief Financial Officer & Joint Company Secretary

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

(In GBP)	Note	Number of shares	Value	(Restated) Share premium	(Restated) Merger reserve	Share-based payment reserve	Warrants reserve	(Restated) Retained earnings	Total equity
30 June 2020		179,840,987	2,401,777	23,992,967	-	4,426,185	-	(4,072,190)	10,741,114
Loss for the period		-	-	-	-	-	-	(4,957,675)	(4,957,675)
Total comprehensive loss		-	-	-	-	-	-	(4,957,675)	(4,957,675)
Issue of share capital	I	5,276,595	70,469	6,129,531	-	-	-	-	6,200,000
Settlement Placement	I	4,830,156	64,507	4,791,547	-	-	-	-	4,856,054
Share issue costs	I	-	-	(1,598,603)	-	-	-	142,551	(1,456,052)
Exercise of options	I	4,350,000	58,093	1,203,817	-	(1,173,926)	-	1,173,927	1,261,911
Issue of options	I	-	-	-	-	2,267,239	-	-	2,267,239
Acquisition of subsidiary (restated)		13,278,937	177,340	-	17,256,579	236,571	2,797,086	(304,090)	20,163,486
31 December 2020		207,576,675	2,772,186	34,519,259	17,256,579	5,756,069	2,797,086	(13,087,561)	50,033,618
Loss for the year		-	-	-	-	-	-	(4,022,648)	(4,022,648)
Total comprehensive loss		-	-	-	-	-	-	(4,022,648)	(4,022,648)
Issue of share capital	I	49,350,000	659,069	73,782,979	-	-	-	-	74,442,048
Settlement Placement	I	1,287,236	17,191	846,948	-	-	-	-	864,139
Share issue costs	I	-	-	(3,277,759)	-	-	-	-	(3,277,759)
Exercise of options	I	6,542,958	87,382	711,997	-	(2,723,022)	-	2,723,022	799,379
Issue of options	I	-	-	-	-	2,098,431	-	-	2,098,431
Exercise of Warrants		984,371	13,146	1,125,005	-	-	(473,332)	473,332	1,138,151
Expiry/Cancellation of Options / Warrants		-	-	-	-	(663,857)	(167,872)	167,872	(663,857)
Acquisition of subsidiary		332,000	4,434	-	453,268	-	-	(10,332)	447,370
31 December 2021		266,073,240	3,553,408	107,708,429	17,699,515	4,467,621	2,155,882	(13,736,315)	121,858,872

See note 25 of the Consolidated Financial Statements for details of the restatement of the prior year comparatives.

The accompanying notes on pages 164 - 172 are an integral part of these Parent Company Financial Statements.

PARENT COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

(In GBP)	Note	Year Ended 31 December 2021	Six Months Ended 31 December 2020
Cash flows from operating activities			
Loss for the period	e	(4,022,648)	(4,957,675)
Adjustments for:			
Depreciation of property, plant and equipment	g	10,917	6,969
Amortisation of right-of-use assets	o	27,011	15,549
Share-based payment expense	l	1,434,574	2,267,239
Finance expense		1,856,543	134,504
Revaluation of fair value asset			322,987
Revaluation of derivative liability		(1,195,251)	-
Revaluation of deferred consideration		(20,834)	-
Movement of intercompany loan provision		(825,824)	-
Changes in working capital items:			
Increase in other receivables and prepayments		2,518,037	(3,110,904)
Increase in accounts payable and accrued liabilities		(2,000,920)	3,407,207
Net cash used in operating activities		(2,218,395)	(1,914,124)
Cash flows from investing activities:			
Investment in subsidiaries		(7,392,637)	(3,309,554)
Purchase of property, plant and equipment		(4,216)	(919)
Loan issued		(16,454,568)	(1,881,641)
Interest received		-	-
Net cash used in investing activities		(23,851,421)	(5,192,113)
Cash flows from financing activities			
Issues of ordinary shares	l	77,243,716	12,317,964
Transaction costs arising from equity financing	l	(3,277,759)	(1,447,201)
Proceeds from loans and borrowings	q	-	14,956,849
Settlement of Deferred Consideration		(1,188,706)	
Interest paid on loans and borrowings	q	(1,351,266)	-
Interest paid on lease liabilities		(40,520)	(10,523)
Net cash flows from financing activities		71,385,465	25,817,089
Net increase in cash and cash equivalents		45,315,649	18,710,852
Exchange losses on cash and cash equivalents		(222,041)	(304,597)
Cash and cash equivalents at beginning of the period		27,983,443	9,577,188
Cash and cash equivalents at end of the period		73,077,051	27,983,443

The accompanying notes on pages 164 - 172 are an integral part of these Parent Company Financial Statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

a. Corporate information

These Financial Statements represent the individual financial statements of Adriatic Metals PLC (the "Parent Company"), the parent company of the Adriatic Metals Group for the year ended 31 December 2021.

Adriatic Metals PLC (the Company or the parent) is a public company limited by shares and incorporated in England & Wales. The registered office is located at Ground Floor, Regent House, 65 Rodney Road, Cheltenham, GL50 1HX.

b. Basis of preparation

i) Statement of compliance

These parent company financial statements have been prepared in accordance with UK adopted international accounting standards.

IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee, and there is an ongoing process of review and endorsement by the European Commission.

The Parent Company Financial Statements were authorised for issue by the Board of Directors on 29 March 2022.

ii) Basis of measurement

These Financial Statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

The presentation currency of these Financial Statements is Great Britain pounds ("GBP"). The functional currency of the Company is deemed to be the GBP under IAS 21.

iii) Going concern

Refer to accounting policies in note 3 of the notes to the Consolidated Financial Statements.

c. Accounting policies

In addition to the accounting policies in note 3 of the notes to the Consolidated Financial Statements, the following accounting policies are relevant only to the Parent Company Financial Statements.

i) Investments in subsidiaries

Unlisted investments are carried at cost, being the purchase price, less provisions for impairment. Additional consideration paid when subscribing for new shares, are made via capital contributions and recorded as additions to investments in subsidiaries.

ii) Intercompany loans

All intercompany borrowings and loans are initially recognised at the fair value of consideration received or paid after deduction of issue costs and are subsequently measured at amortised cost.

iii) Impairment

The Company recognises an allowance for expected credit losses ('ECLs') for all receivables held at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

d. Critical accounting estimates and judgements

The preparation of the Parent Company's Financial Statements in accordance with IFRS requires management to make certain judgements, estimates, and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from these estimates. In addition to the critical accounting estimates and judgements in note 4 of the Consolidated Financial Statements, the following information about the significant judgements, estimates, and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses that are relevant only to the Parent Company Financial Statements are discussed below.

i) Value of investments in subsidiaries

The Parent Company, investments in subsidiaries, which are made via capital contributions or arise upon acquisition, are reviewed for impairment if events or changes indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant generating unit or disposal value if higher.

No impairment indicators were identified in the year ended 31 December 2021 and judgement was made that no impairment was charged.

e. Loss for the period

The Parent Company has taken advantage of the exemption under section 408 (3) of the Companies Act 2006 and thus has not presented its statement of comprehensive income in these Parent Company Financial Statements. The Parent Company's loss after tax for the 12 months to 31 December 2021 is £4,022,648 (six months ended 31 December 2020 – £4,957,675).

f. Other receivables and prepayments

Other receivables contain amounts receivable for VAT, prepaid expenses and deposits paid. All receivables are held at cost less any provision for impairment. A provision for impairment is made where there is objective evidence that the receivable is irrecoverable. Allowance is made for expected credit losses ('ECLs') for all receivables held at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

All current receivables due within one year as follows:

(In GBP)	31 December 2021	31 December 2020
Other receivables	1,706	-
Prepayments and deposits	527,681	70,415
Taxes recoverable	136,877	98,072
Amounts receivable from subsidiaries (note m)	5,495,123	4,950,173
	6,161,387	5,118,660

All non-current receivables due more than one year as follows:

(In GBP)	31 December 2021	31 December 2020
Amounts receivable from subsidiaries (note m)	13,819,993	-
	13,819,993	-

g. Property, plant and equipment

Cost (In GBP)	Land & Buildings	Plant and machinery	Total
30 June 2020	17,425	53,859	71,284
Additions	-	919	919
31 December 2020	17,425	54,778	72,203
Additions	-	4,216	4,216
31 December 2021	17,425	58,994	76,419
Depreciation			
30 June 2020	970	23,185	24,155
Charge for the period	878	6,091	6,969
31 December 2020	1,848	29,276	31,124
Charge for the period	1,742	9,175	10,917
31 December 2021	3,590	38,451	42,041
Net Book Value			
30 June 2020	16,455	30,674	47,129
31 December 2020	15,577	25,502	41,079
31 December 2021	13,835	20,543	34,378

h. Accounts payable and accrued liabilities

The breakdown of current accounts payable and accrued liabilities is as follows:

(In GBP)	31 December 2021	31 December 2020
Trade payables	61,645	238,940
Accrued liabilities	897,046	405,205
Other payables	736,482	14,570
Amounts payable to subsidiaries (note m)	65,836	3,081,678
	1,761,009	3,740,393

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS - CONTINUED

The breakdown of non-current accounts payable and accrued liabilities is as follows:

(In GBP)	31 December 2021	31 December 2020
Amounts payable to subsidiaries (note m)	13,616	-
	13,616	-

i. Investments in subsidiaries

The breakdown of the investments in subsidiaries is as follows:

Cost (In GBP)	Eastern Mining d.o.o.	Adriatic Metals Holdings BIH Limited	Adriatik Metali d.o.o.	(Restated) Ras Metals d.o.o.	(Restated) Adriatic Metals Jersey (previously Tethyan Resource Corp.)	Total
30 June 2020	11,021,333	-	-	-	-	11,021,333
Additions	4,205,902	-	-	-	20,163,485	24,369,387
31 December 2020	15,227,235	-	-	-	20,163,485	35,390,720
Additions	4,308,673	100	2,186	-	-	4,308,673
Transfer of Ras purchase option to the Company	-	-	-	20,163,485	(20,163,485)	-
Exercise of Ras Metals option	-	-	-	2,515,399	-	2,515,399
Group restructure	(19,535,908)	19,535,908	-	-	-	-
Capitalisation of intercompany loan balance	-	-	-	-	2,937,324	2,937,324
31 December 2021	-	19,536,008	2,186	22,678,884	2,937,324	45,154,402

The allocation of investment value held on the Company balance sheet as at 31 December 2020 has been restated please see note t for details.

The Company sold Eastern Mining d.o.o. to Adriatic Metals Holdings BIH Limited (which was incorporated during the year to 31 December 2021) in exchange for single share issued by Adriatic Metals Holdings BIH Limited, see note m.

Adriatik Metali d.o.o. was incorporated during the year to 31 December 2021.

As at 31 December 2020, 10% of Ras Metals share capital was owned by Adriatic Metals Jersey Ltd (formerly Tethyan Resource Corp). As disclosed in Note 10 to the consolidated financial statements Adriatic Metals Jersey Ltd also held an option to acquire the remaining 90% of Ras Metals. On 22 February 2021, the option to acquire the remaining 90% of Ras Metals was purchased by Adriatic Metals Plc from Adriatic Metals Jersey Ltd, the consideration being satisfied by way of a return of capital.

On 23 February 2021, the Company completed the acquisition of the entire issued share capital of Ras Metals d.o.o. (Ras) under an agreement (Ras Option Agreement) held by Adriatic Metals Jersey Ltd, a wholly owned subsidiary of the Company including the 10% that was previously owned by Adriatic Metals Jersey Ltd.

Intercompany loan balances between the Company and Adriatic Metals Jersey Ltd were capitalised resulting in investment balance of £2,937,324.

The list of subsidiaries of the Company is presented in note 3a of the notes to the consolidated financial statements.

j. Financial Instruments

The Company's financial assets and liabilities are classified as follows:

As at 31 December 2021 (In GBP)	Note	At amortised cost	At fair value through profit or loss	Total
Financial assets				
Related Party Receivables	m	19,315,117	-	19,315,117
Cash and cash equivalents		73,077,051	-	73,077,051
Other Receivables and prepayments	f	529,387	-	529,387
Total financial assets		92,921,555	-	92,921,555
Financial liabilities				
Accounts payable and accrued liabilities	h	1,774,625	-	1,774,625
Borrowings	q	11,880,828	-	11,880,828
Derivative Liability	q	-	1,849,962	1,849,962
FV Option Liability on acquisition	r	-	858,489	858,489
Lease liabilities	p	233,774	-	233,774
Total financial liabilities		13,889,227	2,708,451	16,597,678
Net financial assets		79,032,328	(2,708,451)	76,323,877

As at 31 December 2020 (In GBP)	Note	At amortised cost	(Restated) At fair value through profit or loss	Total
Financial assets				
Related Party Receivables	m	1,868,495	-	1,868,495
Cash and cash equivalents		27,983,443	-	27,983,443
Other Receivables and prepayments	f	70,416	-	70,416
Total financial assets		29,922,354	-	29,922,354
Financial liabilities				
Accounts payable and accrued liabilities	h	658,715	-	658,715
Borrowings	q	11,695,687	-	11,695,687
Derivative Liability	q	-	3,045,213	3,045,213
Lease liabilities	p	255,340	-	255,340
Total financial liabilities		12,609,742	3,045,213	15,654,955
Net financial assets		17,312,612	(3,045,213)	14,267,399

The financial assets and liabilities held on balance sheet as at 31 December 2020 have been restated. Please see note t for details.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS - CONTINUED

k. Financial Risk Management

The Company is exposed to risks that arise from its use of financial instruments. The principle financial instruments used by the Company, from which financial risk arises, are set out in note k. The types of risk exposure the Company is subjected during the year are as follows:

i) Credit risk

The credit risk that the Parent Company is exposed to, and the mitigation thereof, is substantially the same as that of the Group as a whole. Further details are provided in note 13 of the notes to the Consolidated Financial Statements.

ii) Liquidity Risk

The liquidity risk that the Parent Company is exposed to, and the mitigation thereof, is substantially the same as that of the Group as a whole with the addition of intercompany balances. Further details are provided in note 13 of the notes to the Consolidated Financial Statements.

The following table illustrates the contractual maturity analysis of the Company's gross financial liabilities based on exchange rates on the reporting date.

As at 31 December 2021 (In GBP)	Within 30 days	30 days to 6 months	6 to 12 months	Over 12 months
Accounts payables and accrued liabilities	1,454,414	-	-	108,775
Borrowings	-	-	-	11,880,828
Derivative Liability	-	-	-	1,849,962
Deferred Consideration	-	639,369	219,120	-
Intercompany balances	65,836	-	-	570,663
Lease liabilities	-	11,646	11,646	210,483
	1,520,250	651,015	230,766	14,607,095

As at 31 December 2020 (In GBP)	Within 30 days	30 days to 6 months	6 to 12 months	Over 12 months
Accounts payables and accrued liabilities	658,716	-	-	-
Borrowings	-	105,515	-	11,590,172
Derivative Liability	-	-	-	3,045,213
Lease liabilities	-	17,805	17,805	219,731
	658,716	123,320	17,805	14,855,116

iii) Market risk

The market risk that the Parent Company is exposed to, and the mitigation thereof, is substantially the same as that of the Group as a whole. Further details are provided in note 14 of the notes to the Consolidated Financial Statements.

As at 31 December 2021, a 10% change in the exchange rate between the Great Britain Pound and the Australian Dollar, which is a reasonable estimation of volatility in exchange rates, would have an approximate £0.1 million change to the Parent Company's total comprehensive loss.

iv) Fair values

The fair value of cash, other receivables, and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of the instruments.

Fair value measurements recognised in the Statement of Financial Position subsequent to initial fair value recognition can be classified into Levels 1 to 3 based on the degree to which fair value is observable.

Level 1 – Fair value measurements are those derived from quoted prices in active markets for identical assets and liabilities.

Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly, or indirectly.

Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The level 3 fair value for the convertible loan asset is disclosed in note 6 of the Consolidated Financial Statements. There were no transfers between any levels of the fair value hierarchy in the current period or prior years.

I. Equity

The movements in share capital, share premium, share based payment reserve, warrants reserve are as detailed in note 15 of the notes to the Consolidated Financial Statements. There are no differences between this and the Parent Company's transactions.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS - CONTINUED

m. Related party disclosures

The Company's related parties include key management personnel, companies which have directors in common and its subsidiaries. Transactions with its Directors and key management personnel and transactions with companies which have directors in common during the period have been disclosed in note 23 of the notes to the Consolidated Financial Statements.

The Company had the following related-party balances and transactions during the year ended 31 December 2021 and the six months ended 31 December 2020.

(In GBP)		Year ended 31 December 2021	Six months ended 31 December 2020	At 31 December 2021	At 31 December 2020
Subsidiary	Nature of transaction	Transaction amount	Transaction amount	Balance owed by / (owed to)	Balance owed by/ (owed to)
Eastern Mining d.o.o.	Capital Contribution	4,308,674	4,205,902	-	(3,081,678)
Adriatic Metals Holdings BIH Limited	Capital Contribution	100	-	-	-
Adriatic Metals Holdings BIH Limited	Sale of Eastern Mining d.o.o. investment	(1)	-	-	-
Adriatic Metals Holdings BIH Limited	Long Term loan	6,436,998	-	6,436,988	-
Adriatik Metali d.o.o.	Capital Contribution	2,185	-	-	-
Adriatic Metals Jersey Limited	Long term loan	590,890	1,518,929	-	1,632,007
Adriatic Metals Jersey Limited	Long term loan	(13,616)	-	(13,616)	-
Adriatic Metals Services (UK) Limited	Short term loan	3,928,419	236,488	4,148,236	236,488
Tethyan Resources Jersey	Long term loan	4,694,382	55,700	4,745,892	-
Tethyan Resources d.o.o.	Long Term loan	1,483,176	-	1,474,002	-
Ras Metals d.o.o.	Long Term loan	999,202	-	997,332	-
TAOR d.o.o.	Long Term loan	167,055	-	165,778	-
Tethyan Resources d.o.o.	Loan Interest	17,800	-	17,800	-
TAOR d.o.o.	Loan Interest	2,611	-	2,611	-
Adriatic Metals Services (UK) Limited	Trading balance	(126,815)	-	(65,836)	-
Eastern Mining d.o.o.	Trading balance	1,197,815	3,081,678	1,055,882	3,081,678
Tethyan Resources d.o.o.	Trading balance	270,594	-	270,594	-
Short Term Related Party Receivables				5,495,123	4,950,173
Long Term Related Party Receivables				13,819,993	-
Total Related Parties Receivable				19,315,117	4,950,173
Short Term Related Parties Payable				(65,836)	(3,081,678)
Long Term Related Parties Payable				(13,616)	-
Total Related Parties Payable				(79,452)	(3,081,678)

Adriatic Metals Holdings BIH Limited was incorporated during the year ended 31 December 2021, the Company paid £100 for 100% of the share capital on incorporation. Eastern Mining d.o.o. was sold during the year ended 31 December 2021 in exchange for a share issued by Adriatic Metals Holdings BIH Limited with £1 nominal value. Loan of £6,436,998 provided to Adriatic Metals Holding BIH Limited was used to fund investment in Eastern Mining d.o.o.

Adriatic Metali d.o.o was incorporated during the year, the company paid £2,186 for 100% of the share capital on incorporation.

As at 31 December 2020, 10% of Ras Metals share capital was owned by Adriatic Metals Jersey Ltd (formerly Tethyan Resource Corp). On 23 February 2021, the Company completed the acquisition of the entire issued share capital of Ras Metals d.o.o. (Ras) under an agreement (Ras Option Agreement) held by Adriatic Metals Jersey Ltd, a wholly owned subsidiary of the Company including the 10% that was previously owned by Adriatic Metals Jersey Ltd, according the value of the investment £2,097,170 previously allocated under Tethyan Resource Corp was instead allocated to Ras.

Intercompany loan balances totaling £2,937,324 owing from Tethyan Resource Corp to the Company were capitalised during the period, leaving nil payable balance at 31 December 2021.

Intercompany loan receivables are assessed for impairment at period end. Intercompany loans were made to fund both corporate costs and exploration projects undertaken by subsidiaries. In company subsidiaries other than Eastern Mining (who hold a JORC resource), exploration expenditure is expensed as incurred and not capitalised, as a result these companies net asset position is lower than their loans payable to the company and hence have been classified as long term loans. Company policy is to impair intercompany loans provided to fund corporate costs but not to impair intercompany loans provided to fund exploration projects on the basis that these exploration projects will add additional long term value. Management will assess for any impairment indicators on an ongoing basis and considers allowance for expected credit losses ('ECLs') for all receivables held at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

Adriatic Metals Services (UK) Limited, incurred costs in relation to group subsidiaries. Costs in relation to Corporate activities were recharged to the Company.

The Company incurred costs in relation to the activities of its group subsidiaries. Costs were recharged on an arms length basis to Eastern Mining d.o.o. and Tethyan Resources d.o.o.

n. Financial assets at fair value through profit and loss

The movements in Financial assets at fair value through profit and loss are as detailed in note 13 of the Consolidated Financial Statements. There are no differences between this and the Parent Company's transactions.

o. Right of use asset

The right of use asset relates to the registered office address. Under IFRS 16 this has been recognised as a right of use asset. Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

(In GBP)	Land & buildings
30 June 2020	251,898
Amortisation	(15,549)
31 December 2020	236,349
Amortisation	(27,011)
31 December 2021	209,338

p. Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the year:

(In GBP)	
30 June 2020	265,621
Interest expense	10,523
Payments	(20,803)
31 December 2020	255,341
Interest expense	18,953
Payments	(40,520)
31 December 2021	233,774

Of this amount, £23,291 is recognised as a current liability and the remainder £210,483 is shown within non-current liabilities.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS - CONTINUED

q. Borrowings and Derivative Liability

The movements in external loans and embedded derivative liability are as detailed in note 6 of the Consolidated Financial Statements. There are no differences between this and the Parent Company's transactions.

r. Deferred Consideration

Value of remaining consideration payable under Ras Option agreement was when the option and investment were ceded to Adriatic Metals Plc from Tethyan Resources Corp was £2,515,399. When the company acquired the remaining 90% ownership stake in Ras Metals d.o.o. the liability was reduced by cash paid and shares issued under the agreement. The liability was fair valued at 31 December 2021 as £858,489 as detailed in Note 7 of the Consolidated Financial Statements.

s. Commitments

Commitments relating to the Parent Company have been disclosed in note 24 of the Consolidated Financial Statements.

t. Prior year adjustment

During the six months ended 31 December 2020 (the comparative reporting period) equity issued in respect of the acquisition of Tethyan Resource Corp had previously been recorded as an increase to share capital and share premium. When a company issues shares, the basic rule contained in section 610 of the Companies Act 2006 is that those shares should be accounted for at the value of consideration received in exchange. Any excess over the nominal value of the shares issued is recorded in the share premium account.

Merger relief is a Companies Act relief from the creation of a share premium account on the issue of shares. Broadly, it applies where a company issues equity shares in consideration for the shares of another company (ie, a share for share exchange) where, as part of the arrangement, it secures at least a 90% equity holding in the other company. The specific criteria for merger relief are set out in section 612 of the Companies Act 2006. Where the criteria are met, the relief must be applied and therefore no share premium is recorded on the issue of the shares.

The company acquired 100% of the equity holding in Tethyan Resource Corp and therefore meets the criteria. The adjustment to the comparative figures for the six months ended 31 December 2020 represents a change in classification within equity only, with a £16,952,489 decrease in the share premium account, an increase in merger reserve of £17,256,579. Note that £304,090 costs directly attributable to raising equity were also included within share premium and these have been reallocated to retained deficit in line with the requirements when merger relief has been applied. There is no impact on the Group and Parent Company net assets, profit or loss or cash flow statement for the period ended 31 December 2020.

As at 31 December 2020 Adriatic Metals Plc had recognised an option asset (£20,581,714) and deferred consideration (£2,515,399) on its balance sheet in relation to the acquisition of Tethyan Resources Corp and Ras Metals. This was to reflect the accounting disclosed within note 10. The recognition of the option asset and liability was a reflection of how the transaction was completed on 22 February 2021 when the option and investment were ceded to Adriatic Metals Plc from Tethyan Resources Corp. As at 31 December 2020 this option asset and liability were legally contracted to Tethyan Resources Corp and therefore the balance sheet has been restated to reflect the appropriate legal form at that time. The adjustments reflected are to increase investment in Subsidiary by £18,066,315, to reflect the consideration paid for the investment in the Tethyan group and to remove the option asset (£20,581,714) and deferred consideration (£2,515,399). There is no impact on the consolidated group financial statements, the Company net assets on the statement of financial position, the company statement of comprehensive income or the company statement of cash flows.

u. Subsequent events

Subsequent events relating to the Parent Company have been disclosed in note 26 of the Consolidated Financial Statement.

ADDITIONAL ASX INFORMATION (UNAUDITED)

The Company's corporate governance statement for the year ended 31 December 2021 is available on the Company's website at <https://www.adriaticmetals.com/downloads/corp-governance-files-/adt-2020-06-05-cgp-v03.pdf> ("Corporate Governance Manual").

This statement has been approved by the Company's Board of Directors and is current as at 29 March 2022. To the extent applicable, the Company has adopted The Corporate Governance Principles and Recommendations (3rd Edition) as published by the ASX Corporate Governance Council (Recommendations).

The Company is not established in Australia but it is subject in its home jurisdiction to an equivalent law to sections 299 and 299A of the Corporations Act requiring the preparation of a directors' report that includes a review of operations and activities for the reporting period which is included in the main body of this Annual Report.

Principles of Best Practice Recommendations

In accordance with ASX Listing Rule 4.10, Adriatic Metals PLC is required to disclose the extent to which it has followed the Principles of Best Practice Recommendations during the financial year. Where Adriatic Metals PLC has not followed a recommendation, this has been identified and an explanation for the departure has been given.

	Principles and recommendations	Comment
1.	Lay solid foundations for management and oversight	
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	The Board is ultimately accountable for the performance of the Company and provides leadership and sets the strategic objectives of the Company. It is responsible for overseeing all corporate reporting systems, remuneration frameworks, governance issues, and stakeholder communications. Decisions reserved for the Board relate to those that have a fundamental impact on the Company, such as material acquisitions and takeovers, dividends and buy backs, material profits upgrades and downgrades, and significant closures. Management is responsible for implementing Board strategy, day-to-day operational aspects, and ensuring that all risks and performance issues are brought to the Board's attention. They must operate within the risk and authorisation parameters set by the Board.
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide securityholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	The Company undertakes comprehensive reference checks prior to appointing a director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of a director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	The terms of the appointment of a Non-Executive director, or executive directors and senior executives are agreed upon and set out in writing at the time of appointment.
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	The Joint Company Secretaries report directly to the Board through the Chairman and are accessible to all directors.

ADDITIONAL ASX INFORMATION (UNAUDITED) - CONTINUED

	Principles and recommendations	Comment
1.5	<p>A listed entity should (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>The Company's Corporate Governance Plan includes a 'Diversity Policy', which provides a framework for establishing measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.</p> <p>The Board has also set formal diversity objectives from 2021 which are included as KPIs in the Company's Short Term Incentive Plan.</p> <p>Further detail on the Diversity Policy is included in the Strategic Report of the Directors.</p>
1.6	<p>A listed entity should (a) have and disclose a process for periodically evaluating the performance of the Board, its Committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. The Company's Corporate Governance Plan includes a section on performance evaluation practices adopted by the Company.</p>	<p>The Chairman reviews the performance of the Board, its Committees and individual directors to ensure that the Company continues to have a mix of skills and experience necessary for the conduct of its activities.</p> <p>The most recent performance evaluation of the board was performed during November and December 2021.</p>
1.7	<p>A listed entity should (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. The Company's Corporate Governance Plan includes a section on performance evaluation practices adopted by the Company.</p>	<p>The Chairman monitors the Board and the Board monitors the performance of any senior executives who are not Directors, including measuring actual performance against planned performance.</p> <p>The most recent performance evaluation of the Managing Director and CEO was performed during November 2021.</p>

2. Structure of the board to add value		
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>'The Company's Corporate Governance Plan includes a Nomination Committee Charter, which discloses the specific responsibilities of the committee.</p> <p>The Company has established a formal Remuneration and Nominations committee.</p> <p>Refer to the Company's Annual Report for further details regarding the Remuneration and Nominations committee.</p>
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>The Board's skills matrix is set out below.</p> <p>The matrix reflects the Board's objective to have an appropriate mix of industry and professional experience including skills such as leadership, governance, strategy, finance, risk, IT, HR, policy development, international business and customer relationship.</p> <p>Additionally, external consultants may be brought in with specialist knowledge to complement the board's matrix of skills in the event that a deficiency were to exist in required areas.</p>
2.3	<p>A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.</p>	<p>Those directors who are considered to be independent are specified in the Directors Report.</p> <p>The length of service of each of the Company's directors is included in the Directors Report.</p>
2.4	<p>A majority of the board of a listed entity should be independent directors.</p>	<p>The majority of the Company's directors are independent.</p>
2.5	<p>The Chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	<p>Mr. Rawlinson, who was the Chairman through the reporting year, is independent.</p>
2.6	<p>A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>	<p>The Chairman and Company Secretaries brief and inform New Directors on all relevant aspects of the Company's operations and background. A director development program is also available to ensure that directors can enhance their skills and remain abreast of important developments.</p>

ADDITIONAL ASX INFORMATION (UNAUDITED) - CONTINUED

	Principles and recommendations	Comment
3.	Act ethically and responsibly	
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	The Company's Corporate Governance Plan includes a 'Corporate Code of Conduct', which provides a framework for decisions and actions in relation to ethical conduct in employment.
4.	Safeguard Integrity In financial reporting	
4.1	The board of a listed entity should: (a) have an Audit Committee which: (1) has at least three members, all of whom are Non-Executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	The Company has established an Audit & Risk Committee. Refer to the Company's Annual Report for further details regarding the Audit & Risk Committee.
4.2	The board of a listed entity should, before it approve' the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	A declaration in accordance with these requirements has been provided by the CEO and CFO.
4.3	A listed entity that has an AGM should ensure that its external Auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	The Company seeks to ensure that its external Auditor attends its AGM and is available to answer questions from security holders relevant to the audit.
5.	Make timely and balanced disclosure	
5.1	A listed entity should (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	The Company has a continuous disclosure program in place designed to ensure the compliance with ASX Listing Rule disclosure and to ensure accountability at a senior executive level for compliance and factual presentation of the Company's financial position. New and substantive investor or analyst presentations materials are released on the ASX Market Announcements Platform ahead of presentation. See Schedule 7 of the Corporate Governance Manual for further details.

Principles and recommendations

Comment

6. Respect the rights of shareholders		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	The Company maintains information in relation to governance documents, directors and senior executives. Board and committee charters, annual reports. ASX announcements and contact details on the company's website.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	The Company encourages shareholders to attend its AGM and to send in questions prior to the AGM so that they may be responded to during the meeting. It also encourages ad hoc enquiry via email which are responded to and actively uses social media to engage with shareholders.
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Refer to commentary at Recommendation 6.2
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	The Company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Computershare Australia at www.computershare.com/au .
7. Recognise and manage risk		
7.1	The board of a listed entity should: (a) have a committee or Committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a Risk Committee or Committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	The Company has established an Audit & Risk Committee. The Company's Corporate Governance Plan includes an Audit & Risk Committee Charter, which discloses the specific responsibilities of the committee. Refer to the Company's Annual Report for further details regarding the Audit & Risk Committee.
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	The Company's Corporate Governance Plan includes a risk management policy. The Company maintains a risk register as part of its risk management strategy which is periodically updated and subject to scrutiny by the Audit & Risk Committee. Where appropriate, the Audit & Risk Committee makes recommendations to the Board in respect of key operational risks and their management. Risks and the management thereof is a recurring item for deliberation at Board Meetings. Procedures are in place to ensure the Board is informed of any material breaches of the Corporate Code of Conduct.

ADDITIONAL ASX INFORMATION (UNAUDITED) - CONTINUED

	Principles and recommendations	Comment
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	<p>The Company is currently not in compliance with this recommendation as it does not maintain a separate internal audit function as the Board considers the Company is not currently of the relevant size or complexity to warrant the formation of a formal internal audit function.</p> <p>The Board, as a whole, evaluates and continually strives for improvement in the effectiveness of risk management and internal control processes.</p> <p>The Audit & Risk Committee receives the report from the Company's external Auditors which includes an assessment of internal controls. In the event that weaknesses in internal control processes are identified these matters are brought to the attention of and dealt with by the Board.</p>
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Refer to the Company's Annual Report for disclosures relating to the company's material business risks. The Company does not currently have material exposure to any economic, environmental or social sustainability risks. Refer to commentary at Recommendations 7.1 and 7.2 for information on the company's risk management framework.
8. Remunerate fairly and responsibly		
8.1	The board of a listed entity should: (a) have a Remuneration & Nominations Committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	<p>The Company has established a Remuneration & Nominations Committee.</p> <p>The Company's Corporate Governance Plan includes a Remuneration & Nominations Committee Charter, which discloses the specific responsibilities of the Remuneration Committee.</p> <p>Refer to the Company's Annual Report for further details regarding the Remuneration & Nominations Committee.</p>
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of Non-Executive directors and the remuneration of executive directors and other senior executives.	Refer to the Remuneration & Nominations Committee report in the Company's Annual Report.
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	The Company does not have formal policy on whether participants in the equity-based remuneration scheme are permitted to enter into transactions which limit the economic risk of participating in the scheme. However, no such transactions have been entered into by scheme participants and such transactions may only be entered into with the prior approval of the Company as noted in Schedule 4 Remuneration Committee Charter of the Corporate Governance Manual.

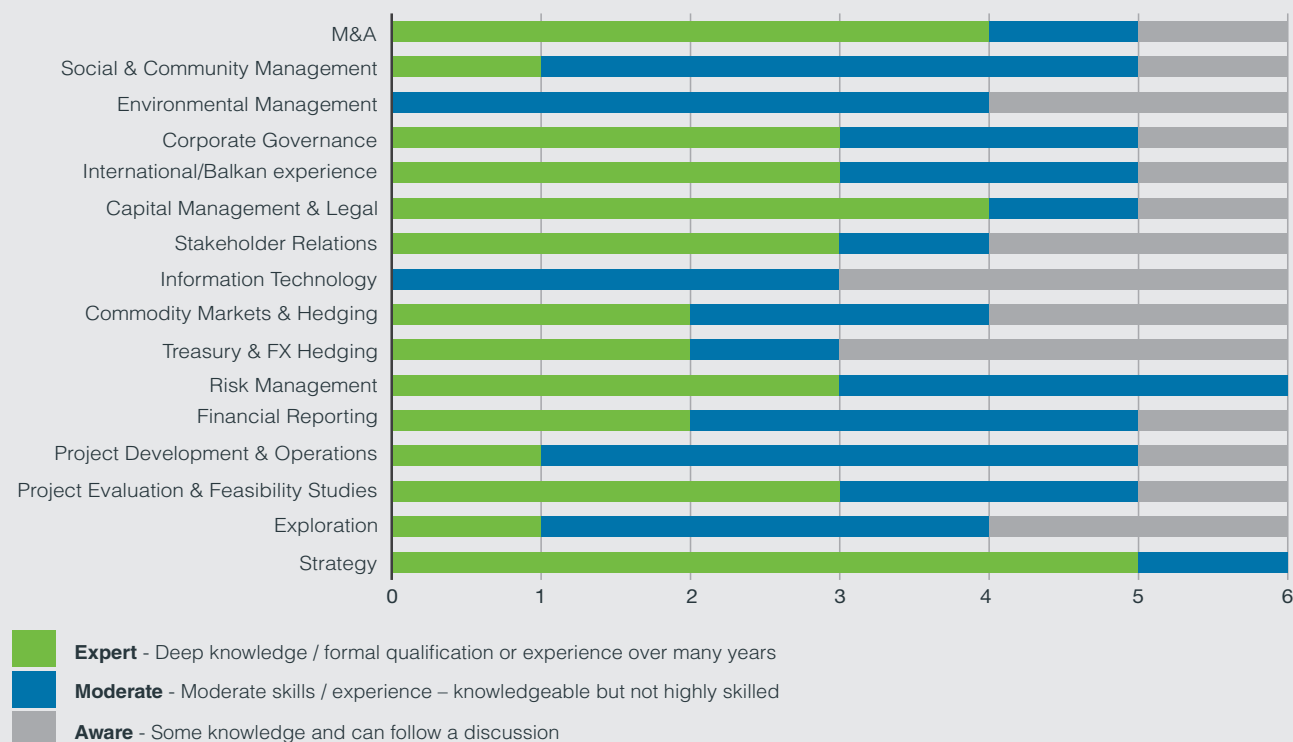
Board skills matrix

Michael Rawlinson	Peter Bilbe	Sandra Bates
B. Economics. Master of Science	B. Engineering Mining	B.Com & LLB
Investment banking	Mining Engineer	Corporate Law
Resources	Gold, Base Metals	Corporate Finance
Mining Finance	Operational experience	M&A
NED – LSE, ASX	NED - ASX	Resources focus
		NED – ASX, LSE, AIM

Paul Cronin - CEO	Sanela Karic	Julian Barnes
B.Com & MBA	LLB	BSC (Hons), PhD
Resource Finance	Bosnian Law	Geologist
CEO experience	Corporate affairs	Exploration & development
M&A	M&A	Balkan experience
Exec & NED ASX, LSE, TSX	Human Resources	Project generation & DD
	NED – LSE	NED – TSX, LSE, ASX

As part of the board's performance evaluation and within the remit of the Nominations Committee, the Adriatic board undertook a skills self assessment matrix review. The skills categories chosen were all discussed and noted would be required as Adriatic moves from its development phase into a construction phase and ultimately production/steady state. The outcome of the self assessment was as follows:

Adriatic Board Skills Matrix Self Assessment Dec-21



ADDITIONAL ASX INFORMATION (UNAUDITED) - CONTINUED

Shareholdings

At the time of publishing this Annual Report there is no on-market buy-back.

Substantial shareholdings

The Directors are aware of the Company's top 20 shareholders at 8 March 2022 as follows:

Rank	Name	Number of ordinary shares	Percentage of issued share capital
1	CITICORP NOMINEES PTY LIMITED	55,684,546	20.90
2	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	25,240,627	9.48
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	15,613,335	5.86
4	BNP PARIBAS NOMINEES PTY LTD <LGT BANK AG DRP>	15,387,391	5.78
5	MR MILOS BOSNJAKOVIC	13,300,000	4.99
6	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	11,042,395	4.15
7	ABADI INVESTMENTS PTY LTD <VK & ML DATT SUPER A/C>	7,771,332	2.92
8	GLAMOUR DIVISION PTY LTD <HAMMER A/C>	7,571,629	2.84
9	EUROCLEAR NOMINEES LIMITED <EOC01>	7,106,553	2.67
10	NORTRUST NOMINEES LIMITED	6,983,763	2.62
11	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	5,115,087	1.92
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <GSCO CUSTOMERS A/C>	3,653,733	1.37
13	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	3,389,039	1.27
14	CHASE NOMINEES LIMITED>	2,973,888	1.12
15	UBS NOMINEES PTY LTD	2,966,928	1.11
16	INTERACTIVE BROKERS LLC <IBLLCR>	2,892,098	1.09
17	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	2,721,442	1.02
18	MR ALBERTO LAVANDEIRA ADAN	2,666,664	1.98
19	APOLLO NOMINEES LTD <CRE>	2,600,769	0.96
20	BBHISL NOMINEES LIMITED <128024>	2,565,948	1.02
Totals: Top 20 holders		197,247,167	77.04%
Total Remaining Holders Balance		69,132,073	22.96%

As at 8 March 2022 the Directors are aware of four shareholders who held a substantial shareholding within the meaning of the Australian Corporations Act as outlined in the top 20 listing above. A person has a substantial holding if the total votes that they or their associates have relevant interests in is five per cent of more of the total number of votes.

Distribution of Ordinary Shares as at 8 March 2022

Range	Number of shareholders	Number of ordinary shares	Percentage of issued share capital
1 - 1,000	759	325,786	0.12
1,001 - 5,000	675	1,816,780	0.68
5,001 - 10,000	251	1,923,851	0.72
10,001 - 100,000	346	11,200,056	4.20
100,001 Over	130	251,111,767	94.28
Total	2,161	266,379,240	100.00

Unmarketable Parcel

	Minimum Parcel Size Shares	Number of shareholders	Total Shares
ASX Minimum trade parcel AUD\$500.00 parcel at AUD\$2.18 per share	230	255	21,150

Substantial Option and Performance Rights Holders

There are no substantial options or performance rights holders other than those disclosed in the Remuneration & Nominations Committee Report.

Restricted securities

There were no restricted securities or securities or subject to voluntary escrow as at 31 December 2021.

Tenement holdings

The Company's tenements at 8 March 2022 are set out in the table below. 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 has an option agreement to acquire 100% ownership of Deep Research d.o.o. but has no equity interest in that entity at present.

	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	Eatsern Mining d.o.o.	Veovaca1	1.08	12-Mar-2013	11-Mar-2038
				Veovaca 2	0.91	12-Mar-2013	11-Mar-2038
				Rupice-Jurasevac, Brestic	0.83	12-Mar-2013	13-Mar-2038
	Annex 3 - Area Extension	No.: 04-18-21389-3/18	Eatsern Mining d.o.o.	Rupice - Borovica	4.52	14-Nov-2018	13-Nov-2038
				Veovaca - Orti - Seliste - Mekuse	1.32	14-Nov-2018	13-Nov-2038
	Annex 5 - Area Extension	No: 04-18-14461-1/20	Eatsern Mining d.o.o.	Barice - Smajlova Suma - Macak	19.45	03-Dec-2020	03-Dec-2050
Droskovac - Brezik				2.88	03-Dec-2020	03-Dec-2050	
Borovica – Semizova Ponikva				9.91	03-Dec-2020	03-Dec-2050	
Serbia	Exploration License	310-02-1721/2018-02	Ras Metals d.o.o.	Kizevak	1.84	03-Oct-2019	03-Oct-2022
	Exploration License	310-02-1722/2018-02	Ras Metals d.o.o.	Sastavci	1.44	12-Mar-2013	03-Oct-2022
	Exploration License	310-02-1114/2015-02	Taor d.o.o.	Kremice	8.54	21-Apr-2016	21-April-2022
	Exploration License	310-02-00060/2015-02	Deep Research d.o.o.	Raska (Suva Ruda)	87.17	28-Dec-2015	18-Feb-2022*
	Exploration License	310-02-01670/2021-02	Global Mineral Resources d.o.o.	Kaznovice	37.1	22-Nov-2021	22-Nov-2024

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

ADDITIONAL ASX INFORMATION (UNAUDITED) - CONTINUED

Chapters 6, 6A, 6B and 6C of the Corporations Act

As the company is incorporated in England and Wales, chapters 6, 6A, 6B and 6C of the Corporations Act dealing with the acquisition of shares (i.e. substantial holdings and takeovers) do not apply to the Company. In the United Kingdom, the City Code on Takeovers and Mergers (City Code) regulates takeovers and substantial shareholders and the Company is subject to the City Code.

Voting rights

The Company is incorporated under the legal jurisdiction of England and Wales. To enable the Company to have their securities cleared and settled electronically through CHESSE, Depositary Instruments called CHESSE Depositary Interests (CDIs) are issued. Each CDI represents one underlying ordinary share in the Company (Share). The main difference between holding CDIs and Shares is that CDI holders hold the beneficial ownership in the Shares instead of legal title. CHESSE Depositary Nominees Pty Limited (CDN), a subsidiary of ASX, holds the legal title to the underlying Shares.

Pursuant to the ASX Settlement Operating Rules, CDI holders receive all of the economic benefits of actual ownership of the underlying Shares. CDIs are traded in a manner similar to shares of Australian companies listed on ASX.

CDIs will be held in uncertificated form and settled/transferred through CHESSE. No share certificates will be issued to CDI holders. Each CDI is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

All substantive resolutions at a meeting of security holders are decided by poll rather than by a show of hands.

If holders of CDIs wish to attend and vote at the Company's general meetings, they will be able to do so. Under the ASX Listing Rules and the ASX Settlement Operating Rules, the Company as an issuer of CDIs must allow CDI holders to attend any meeting of the holders of Shares unless relevant English law at the time of the meeting prevents CDI holders from attending those meetings.

In order to vote at such meetings, CDI holders have the following options:

- a) instructing CDN, as the legal owner, to vote the Shares underlying their CDIs in a particular manner. A voting instruction form will be sent to CDI holders with the notice of meeting or proxy statement for the meeting and this must be completed and returned to the Company's Share Registry prior to the meeting; or
- b) informing the Company that they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to their Shares underlying the CDIs for the purposes of attending and voting at the general meeting; or
- c) converting their CDIs into a holding of Shares and voting these at the meeting (however, if thereafter the former CDI holder wishes to sell their investment on ASX it would be necessary to convert the Shares back to CDIs). In order to vote in person, the conversion must be completed prior to the record date for the meeting. See above for further information regarding the conversion process.

As holders of CDIs will not appear on the Company's share register as the legal holders of the Shares, they will not be entitled to vote at Shareholder meetings unless one of the above steps is undertaken.

As each CDI represents one Share, a CDI Holder will be entitled to one vote for every CDI they hold.

Proxy forms, CDI voting instruction forms, and details of these alternatives will be included in each notice of meeting sent to CDI holders by the Company.

These voting rights exist only under the ASX Settlement Operating Rules, rather than under British Columbia Law. Since CDN is the legal holder of the applicable Shares and the holders of CDIs are not themselves the legal holder of their applicable Shares, the holders of CDIs do not have any directly enforceable rights under the Company's articles of association.

As holders of CDIs will not appear on our share register as the legal holders of shares of ordinary shares, they will not be entitled to vote at our shareholder meetings unless one of the above steps is undertaken.

COMPANY DIRECTORY

Board of Directors	<p>Michael Rawlinson* (Chairman)</p> <p>Peter Bilbe* (Non-Executive Director)</p> <p>Paul Cronin (Managing Director & Chief Executive Officer)</p> <p>Julian Barnes* (Non-Executive Director)</p> <p>Sandra Bates* (Non-Executive Director)</p> <p>Sanela Karic* (Non-Executive Director)</p>
Chief Financial Officer	Geoff Eyre
Company Secretary	Geoff Eyre, Gabriel Chiappini (joint secretaries)
Registered Office	Regent House, 65 Rodney Road, Cheltenham GL50 1HX +44 (0) 20 7993 0066
Australian Office	Level 1, 10 Outram Street, West Perth WA 6005, Australia +44 (0) 20 7993 0066
Brokers	<p>Canaccord Genuity Limited, 88 Wood Street, London EC2V 7QR</p> <p>RBC Europe Limited, 100 Bishopsgate, London EC2N 4AA</p> <p>Stifel Nicolaus Europe Limited, One Broadgate, London EC2M 2QS</p>
Auditors	BDO LLP, 55 Baker Street, London W1U 7EU
Stock Exchange Listings	<p>London Stock Exchange (LSE:ADT1)</p> <p>Australian Securities Exchange (ASX:ADT)</p> <p>OTC Market (OTCQX:ADMLF)</p>
Share Registrars	<p>Computershare</p> <p>UK: The Pavilions, Bridgwater Road, Bristol BS13 8AE +44 (0) 370 702 0003</p> <p>Computershare Australia:</p> <p>Australia: Level 11, 172 St George's Terrace, Perth, WA 6000 +61 08 9323 2000</p>
Country of Incorporation	England & Wales
Registered Number	10599833
Web site	www.adriaticmetals.com

* Determined by the Board to be independent in accordance with the Quoted Company Alliance's Corporate Governance Code (QCA Code).



Adriatic Metals

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