ADRIATIC METALS PLC

INTERIM REPORT AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

Registered Number: 10599833

COMPANY DIRECTORY

Board of Directors	Michael Rawlinson (Chairman) Paul Cronin (Managing Director and CEO) Julian Barnes (Non-Executive Director) Sandra Bates (Non-Executive Director) Peter Bilbe (Non-Executive Director) Sanela Karic (Non-Executive Director)
Chief Financial Officer	Geoff Eyre
Company Secretary	Geoff Eyre, Gabriel Chiappini (joint secretaries)
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Brokers	Canaccord Genuity Limited, 88 Wood Street, London EC2V 7QR RBC Europe Limited, 100 Bishopsgate, London EC2N 4AA Stifel Nicolaus Europe Limited, One Broadgate, London EC2M 2QS
Auditors	BDO LLP, 55 Baker Street, London W1U 7EU
Stock Exchange Listings	London Stock Exchange (Code: ADT1) Australian Securities Exchange (Code: ADT) OTCQX (Code:ADMLF)
Share Registrars	Computershare UK: The Pavilions, Bridgwater Road, Bristol BS13 8AE +44 (0) 370 702 0003 Computershare Australia: Level 11, 172 St George’s Terrace, Perth, WA 6000 +61 08 9323 2000
Country of Incorporation	England & Wales
Registered Number	10599833
Web site	www.adriaticmetals.com

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DIRECTORS' REPORT

Introduction

The Directors of Adriatic Metals PLC ("Adriatic" or "Company") present their interim report and condensed consolidated financial statements of the group for the six months ended 30 June 2021 ("Period"). This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the most recent annual report and accounts and announcements made by the Company which can be found on the website www.adriaticmetals.com.

Business Review Highlights

Vares Silver Project, Bosnia & Herzegovina:

During the Period the Company received three key permits which are prerequisites to the development of the Vares silver project ("Vares Silver Project" or "Project"):

- Veovaca Exploitation Permit - 28 January 2021
- Rupice Environmental Permit - 8 February 2021
- Rupice Urban Planning Permit– 4 June 2021

Demolition of the historic processing plant surface infrastructure was completed.

Geotechnical drilling program to test the structural integrity of the original concrete pad was completed.

Exploration drilling at Rupice recommenced.

Exploration permit received for the additional 32km2 of concession area granted to the Company in September 2020, as well as the initial results from the project-wide airborne geophysical survey were received.

Raska Project, Serbia:

Exploration has continued at Raska during the Period with three diamond core drilling rigs completing more than 11,000 meters of drilling.

Financing Activities:

The Company has received several non-binding term sheets for the Vares Project Financing. Adriatic is aiming to close the project financing during H2 2021 and be fully funded through to first production of the Vares Silver Project, whilst concurrently continuing its aggressive exploration activities across both the Vares Silver Project and the Raska Project.

Corporate:

Cash at 30 June 2021 of £20.8 million (31 December 2020; £29.6 million).

Completed the acquisition of the remaining 90% of Ras Metals d.o.o. which holds the exploration licences for both Kizevak and Sastavci prospects that make up the Raska Project in Serbia.

Adriatic Foundation:

A charitable trust was created in Bosnia & Herzegovina with the objective of supporting the communities around the Vares Silver Project. The Adriatic Foundation aims to create a positive long-term legacy by focusing on initiatives associated with improving healthcare, education and environmental protection. The Company will provide an initial sum of €100,000 to the Foundation, as well as an ongoing commitment of 0.25% of profits from its operations in Bosnia & Herzegovina.

Chairman's Statement

I am pleased to report that in the six months ended 30 June 2021 we have continued to make considerable progress towards our main objective of exploring and developing mineral resource opportunities that have the potential to deliver growth for the benefit of Adriatic's shareholders.

The team have made great progress on the Vares Silver Project feasibility study ("Feasibility Study"), which is expected to be completed during Q3 2021. The team also successfully completed the integration of the Tethyan Resource Corp ("Tethyan") business into our group following its acquisition in October 2020.

Key Milestones

The Company has achieved several important milestones during the Period, including securing the Veovaca Exploitation Permit, Rupice Environmental Permit and Rupice Urban Planning Permit. All of which are prerequisites for the commencement of underground development and plant construction, which we expect to commence during H2 2021. This continuation of our strong progress on permitting has again been 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.

Following completion of the Vares Silver Project Preliminary Feasibility Study, announced on 15 October 2020, the team immediately transitioned into progressing the various workstreams necessary to complete the Feasibility Study. Tremendous progress has been made on the Feasibilty Study during the Period and we expect to be in a position to announce the results of this study very shortly.

The Company has made a number of direct appointments to the operational team during the Period, including Collin Ellison as Project Director. Collin was most recently associated with the successful construction of Thor Explorations' Segilola Gold Project in Nigeria. He is a well-respected mine builder with an excellent track record. Collin's appointment further underlines Adriatic's commitment to delivering a world class producing mining operation in Vares, Bosnia for the benefit of all stakeholders.

The Company also appointed Globe 24-7 during the Period to provide additional expertise and resources to support the build out of our technical and operational team, as the Vares Silver Project transitions into the construction phase late this year.

Corporate Developments

On 22 February 2021, the Company exercised its rights under an option agreement to acquire the whole issued share capital in Ras Metals d.o.o. holder of the exploration licenses for both the Kizevak and Sastavci prospects that form the Raska Project in Serbia. Thereby, making clear our intentions towards accelerating the advancement of the Raska Project.

Good progress has also been made with our concentrate marketing activities, with term sheets received from a number of potential off-takers, further de-risking the Vares Silver Project.

The team has made substantial progress to secure the funding necessary to commence construction of the Vares Silver Project and we expect a smooth completion of the project financing once the Feasibilty Study has been completed.

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 implemented during the first half of 2020. Our operational productivity continues to be only moderately 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 Silver Project on time.

Governance Changes

One year on from the board changes announced last year, I am pleased to report how well the board has been working together as we move into the next important stage of corporate development. In particular the Environmental Social & Governance Committee has made good progress in setting up world class systems and policy frameworks for the Vares and Raska projects as well as overseeing the formation of the Adriatic Foundation.

From the 1 January 2021, the Company implemented an updated remuneration policy for the CEO and senior management and other eligible staff which comprises both short-term incentive plan and a long-term incentive plan. The policy is designed to retain and incentivise staff during the next chapter in the Company's rapid development aligning staff with our corporate objectives in addition to an element of personal development targets.

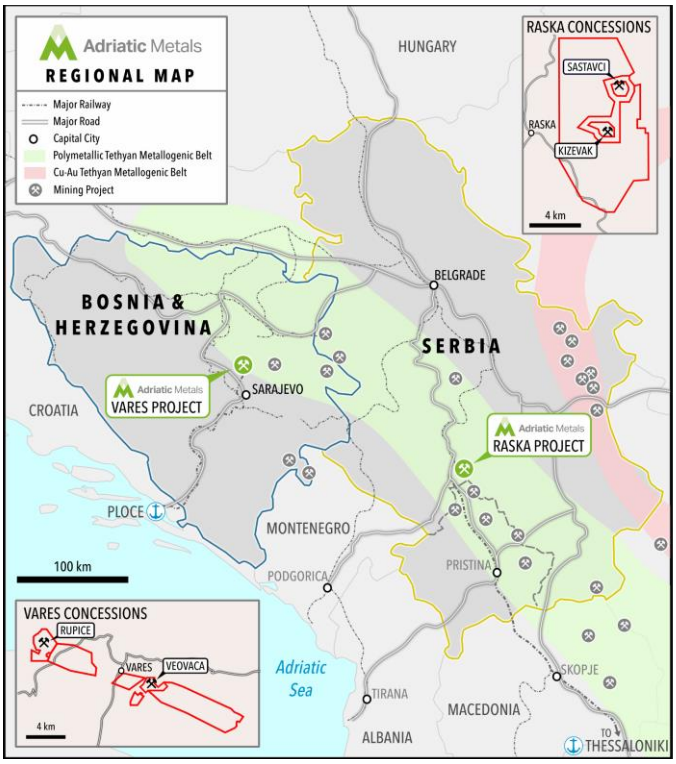
On behalf of the Board, I would like to thank the management and employees for their ongoing determination and hard work, which has resulted in a tremendous number of positive achievements during the Period and we look forward to realising the results of these efforts on a number of these ongoing workstreams during the second half of 2021.

Michael Rawlinson

Chairman of the Board

Operational Review

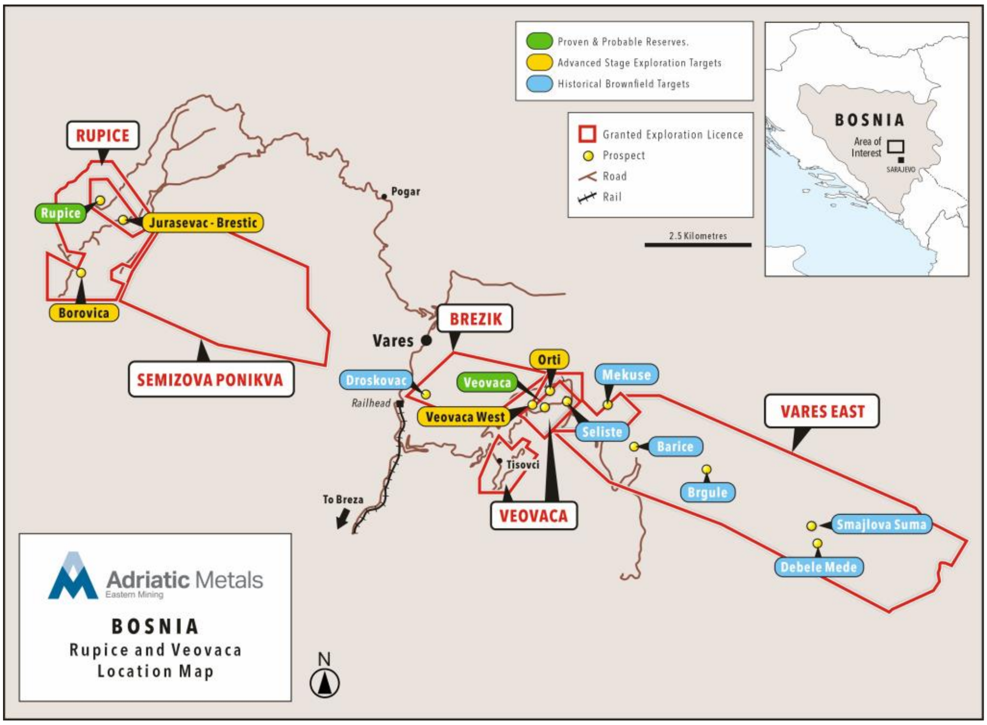
The Company's asset portfolio consists of two polymetallic projects in the Balkan region, which are both situated on the Tethyan Metalogenic Belt. The Company's flagship asset is the Vares Silver Project in Bosnia and Herzegovina, which is currently in development phase. The other is the Raska Zinc-Silver Project in Serbia, which is an exploration project.



The Vares Silver Project

The Company's flagship Vares Silver Project is located approximately 50 km north of Sarajevo, in the municipality of Vares, Bosnia and Herzegovina.

Adriatic, through its wholly owned subsidiary Eastern Mining d.o.o., owns 100% of the Vares Silver Project concession, an area which covers a total of 41km^2, along a mineralized strike length of 22km. The significantly expanded concession area includes an area between Veovaca and Rupice (Semizova Ponikva & Brezik), as well as an area to the south-east of Veovaca (Vares East) as shown in the diagram below.



Progress made in the Period

Permitting

On 28 January 2021, the Company received the Veovaca Exploitation Permit from the Federal Ministry for Energy, Mining and Industry. The receipt of this exploitation permit initiated the formal exploitation period for the project, which under the terms of the Concession Agreement is up to 30 years. As the Concession Agreement covers both the Veovaca and Rupice deposits, the security of tenure applies to both the Veovaca open pit and plant areas, as well as the Rupice underground mine area.

On 8 February 2021, the Federal Ministry of Environment and Tourism issued a positive Record of Decision for the Rupice Environmental Permit – one of the key approvals required for the issue of the Exploitation Permit at Rupice. The Record of Decision was received following the submission of an Environmental Impact Assessment, which was prepared in accordance with the Federal Mining Code and reviewed by a five-member expert committee, as well as a public hearing in August 2020.

On 4 June 2021, the Company announced that it had received the Urban Planning Permit for the Rupice underground deposit, from the Bosnian Federal Ministry of Spatial Planning. The approval reflects the strong support for the Vares Silver Project from both Government and local stakeholders, which were actively engaged throughout the application process.

On 7 June 2021, the Company announced that it had received the exploration permit in respect of the 32km^2 extension to the concession, which had been awarded in September 2020, comprising of Semizova Ponikva, Brezik and Vares East. Additionally, the Company advised that the initial results from the recent heliborne geophysical survey covering the total concession area had been received, with further data analysis and interpretation ongoing.

On 19 July 2021, post the Period end, the received the Exploitation Permit for the Rupice underground deposit from the Federal Ministry for Energy, Mining and Industry. This exploitation permit is the final permitting requirement for construction of the Vares Silver Project.

Feasibility Study

Substantial progress has been made during the Period towards the completion of the Feasibilty Study for the Vares Silver Project and is expected to be completed very shortly at which time further announcements will be made.

Site Activities

Demolition of the historic processing plant surface infrastructure has been completed, along with a geotechnical drilling program to test the structural integrity of the original concrete pad upon which the Vares Processing Plant will be built.

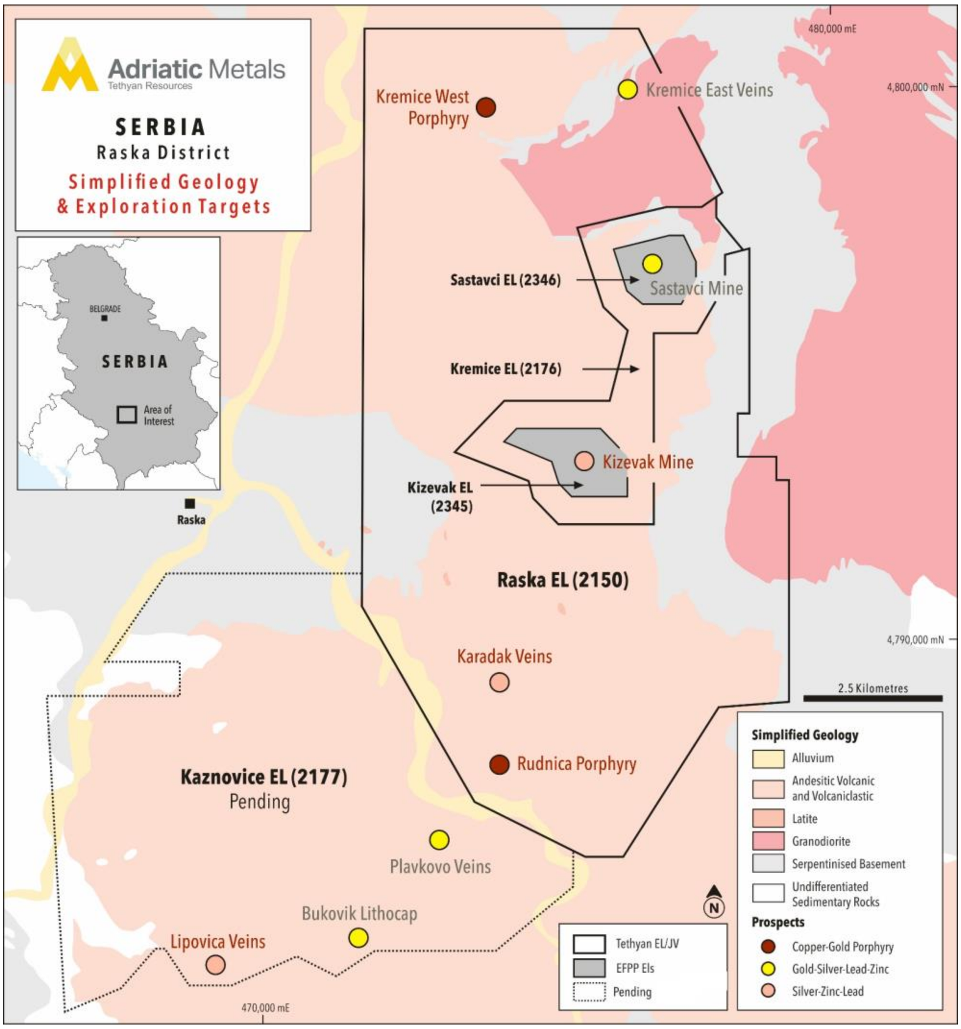
Exploration drilling recommenced, with step out drilling around the Rupice deposit.

Environmental, Social and Governance (“ESG”)

The ESG Committee has continued to meet every two months, under the ongoing mentorship of Critical Resource Limited, and during the Period concentrated on reviews of the ESIA baseline studies, adoption of an EBRD compliant Land Acquisition Compensation and Reseetlement Plan and the incorporation of key ESG & OHS metrics into draft contracts for use with contractors during the construction phase of the Vares Silver Project.

The Raska Project

The Raska Zinc-Silver Project in Serbia was attained though the acquisition of Tethyan, which was completed in October 2020. Tethyan Resource Corp had been exploring a highly prospective 99 km^2 land package in southern Serbia, which contains two historic Zinc-Silver mining operations called Sastavci & Kizevak. The Sastavci & Kizevak prospects, like those in the Vares Silver Project sit on the Polymetallic Tethyan Metallogenic Belt. Both deposits are within 3km of one another and are close to surface, and therefore they have open-pit potential. Like the Vares Project, they have Zinc, Silver and Lead mineralisation.



Progress made in the Period

On 23 February 2021, the Company completed the acquisition of Ras Metals d.o.o., which included the exploration licenses for both the Kizevak and Sastavci prospects. This included a consideration paid for the remaining 90% of the shares in Ras Metals that the Company did not already hold for EUR 1,365,000, plus the allotment of 166,000 Ordinary shares of 0.013355p each in the Company. Additionally, there is deferred consideration of EUR 500,000, payable on 14 May 2022, and 498,000 Ordinary shares in the Company that will be allotted in three equal tranches on or around 22 August 2021, 22 February 2022 & 22 August 2022.

Exploration has continued at Raska during the Period with three diamond core drilling rigs, one each at the Kizevak and Sastavci prospects, as well as more recently an additional rig mobilized to the Karadak prospect in the south. US$12.5m in exploration activies is planned across the Raska Project during 2021.

To date, drilling at Kizevak has 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. Kizevak continues to yield thick zones of polymetallic mineralisation, which remains open at depth.

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 excellent polymetallic grades from surface in a much wider zone of mineralisation than historically reported. Confirmation drilling at Sastavci has been complemented by the discovery of a separate, large gold bearing structure. This first phase of confirmation drilling at Sastavci has provided confidence to continue exploring the full extent of the mineralised system. The Company aims to release a Maiden Resource Estimate for the Raska Project in Q4 2021.

Financial Review

The Group made an operating loss of £4,549,308 for the six months ended 30 June 2021 ("Period") compared with an operating loss of £5,176,158 in the prior six months ended 31 December 2020 ("Prior Period"). The reduction in the operating loss in the Period arose primarily as a result of a lower share based payment expense of £978,386 in the Period compared with £2,301,834 in the Prior Period which included non-executive options that vested immediately on the date of grant. Other principal variances compared to the Prior Period are summarised below.

Income Statement Review

General and administrative expenses

General and administrative costs incurred in the Period were £2,301,834 (Prior Period: £2,115,707) including share-based payment expenses of £978,386 (Prior Period: £2,267,239) as noted above.

Professional fees were £235,444 (Prior Period: £313,760) and stock exchange fees £77,252 (Prior Period: £136,166) with the reduction in the Period reflecting the Company's acquisition of Tethyan in the Prior Period.

Exploration costs

The Group incurred £1,331,294 of exploration costs in the Period relating to pre-JORC resource stage exploration activities in Serbia (Prior Period: £798,028), reflecting a full six months of exploration activities into Serbia following the acquisition of Tethyan in October 2020.

Finance costs

The finance expense in the Period of £1,139,382 (Prior Period: £197,039) comprised foreign exchange losses on foreign denominated currency of £512,880 (Prior Period: £103,772), interest expense on borrowings £616,512 (Prior Period: £82,744) relating to Queen's Road Capital convertible debentures with an 8.5% coupon ("QRC Debentures") issued in December 2020 and interest expense on lease liabilities of £9,990 (Prior Period: £10,523).

Revaluation of liability

The conversion feature of the QRC Debentures has been accounted for as a derivative liability which was revalued at the end of the Period resulting in a gain on revaluation of £2,398,569. Conversely, the revaluation of fair value assets in the Prior Period resulted in a loss of £322,987 following an amendment to remove the conversion option from the loan provided to Tethyan after its acquisition by the Company in October 2020.

Cash Flow and Balance Sheet Review

Cash Flow

(In GBP)	Six months ended 30 June 2021	Six months ended 31 December 2020
Net cash used in operating activities	(4,021,365)	(2,307,208)
Net cash used in investing activities	(5,296,695)	(3,552,249)
Net cash inflows from financing activities	980,043	25,817,089
Net (decrease) / increase in cash and cash equivalents	**(8,338,017)**	**19,957,632**

Net cash used in operating activities during the Period was £4,021,365 compared to £2,307,208 in the Prior Period. The increase primarily related to a net working capital outflow of £1,064,118 in the Period following settlement during the Period of Tethyan trade creditor liabilities acquired on acquisition, an increase in exploration expenses in Serbia and an increase in general & administrative costs.

Investing activities included cash outflows for the purchase of exploration and evaluation assets during the Period of £3,901,580 (Prior Period: £3,052,019) reflecting a further ramp up in activities related to progression of the Feasibility Study for the Vares Silver Project.

Net cash inflows from financing activities during the Period was £980,043 (Prior Period: £25,817,089) which included an inflow of £1,796,526 from the proceeds of the issue of ordinary shares (Prior Period: £12,317,964), outflows of £718,455 relating to interest paid on loans and borrowings (Prior Period: £nil). The Prior Period net cash inflows from financing 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 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 and the issue of US$20 million QRC Debentures in December 2020.

Working capital

(In GBP)	At 30 June 2021	At 31 December 2020
Other receivables and prepayments	674,599	654,514
Accounts payable and accrued liabilities	(1,440,562)	(1,900,436)
Working capital	**(765,963)**	**(1,245,922)**

The Group's working capital position at 30 June 2021 was (£765,963), a decrease of £479,959 compared to 31 December 2020, primarily as a result of settlement of accounts payables and accrued liabilities during the Period relating to the acquisition of Tethyan which contributed (£1,101,642) net working capital to the group position at 31 December 2020.

Net cash position

(In GBP)	At 30 June 2021	At 31 December 2020	Change
Cash and cash equivalents	20,836,983	29,580,538	(8,743,555)
Short-term borrowings	-	(105,515)	105,515
Net cash position (excluding long term borrowings)	**20,836,983**	**29,475,023**	**(8,638,040)**

The net cash position (excluding long term borrowings) at 30 June 2021 was £20,836,983, a decrease of £8,638,040 compared to 31 December 2020 primarily as a result of net cash used in ongoing operating and investing activities as noted in the cash flow commentary.

This net cash position excludes US$20 million QRC Debentures which have a final maturity date of 30 November 2024 (unless the conversion terms, as detailed in Note 6 of the Consolidated Financial Statements, are met).

Capital expenditure

(In GBP)	At 30 June 2021	At 31 December 2020	Change
Exploration and evaluation assets	39,889,108	36,479,724	3,409,384
Property, plant and equipment	1,098,238	969,464	128,774

Exploration and evaluation assets increased by £3,409,384 in the Period to £39,889,108 at 30 June 2021 primarily relating to capitalised Vares Silver Project exploration and development expenditure.

Vares Silver Project Funding Developments

The Company continued to make progress with its advisors, Tamesis Partners and Terrafranca Advisory, to select and secure the most appropriate financing package for the Vares Silver Project with a view to commencing construction during Q4 2021.

A shortlist of viable financiers was developed as a result of a process including an information memorandum, signing of confidentiality agreements and providing detailed information on the Project.

Several non-binding term sheets were received and the Company expects to make further announcement on progress following completion of the Vares Silver Project Feasibilty Study.

Geoff Eyre

Chief Financial Officer and Joint Company Secretary

Principal risks and uncertainties

Funding requirements

The Directors anticipate the Vares Silver Project construction activities commencing in Q4 2021. However, this is conditional on securing the funding required to meet the Vares Silver Project initial capital requirements of the project (“Project Costs”) in addition to corporate costs, discretionary exploration expenditure in Bosnia and Serbia and general working capital requirements.

Currently the Company has insufficient working capital to meet its stated objectives for the 12 months from the date of this interim report and accounts. However, development of the Vares Silver Project and the commencement of construction is at the Company’s sole discretion and the Directors are of the view that the funds necessary to meet the Company’s requirements can be secured via a combination of debt and equity finance in the planned timeframe, based on the following factors:

- The Company engaged Tamesis Partners and Terrafranca Advisory in H2 2020 to provide debt advisory services to assist with the evaluation of the various funding options available to the Company for the Vares Silver Project and to select, negotiate and secure the most appropriate financing package.
- The Company received a number of viable project financing term sheets from potential financiers.
- Shortlisted potential lenders are making good progress with their due diligence with the intention of making a proposal to their investment committees following completion of the Vares Silver Project Feasibility Study.

These factors provide the Board with confidence in the Company’s ability to complete the required financing early in Q4 2021 as required to advance the Vares Silver Project within the Directors’ timetable. However, there is no guarantee that this will be the case and if the Company was unable to fully secure funding, any material delay or failure to commence development of the Project, would have a material adverse effect on the Company’s business results of operations, financial condition and the price of Common Shares, as the Company has no other near-term source of revenue earnings.

In the event that it is not possible to obtain the required additional capital to meet the Project Costs, then a decision to delay or cease the development of the Project would be taken in a timely manner and prior to the projected depletion of the Company’s available cash resources.

In this scenario the Directors would also seek to delay such deficit arising through the application of the following steps:

- suspend discretionary exploration activities in both Bosnia and Serbia;
- reduce capital expenditure below current projected rates to the extent necessary (i.e., limiting expenditure to G&A related to seeking financing for the Project and necessary expenditures to comply with the regulatory requirements of being a public company) to preserve the balance of its working capital for as long as possible beyond;
- application of funds received as a result of the exercise of options and warrants which the Company anticipates; and
- additional financing from a potential equity fundraise to support the Company which the Company believes would be available based on its track record and previous fundraising rounds.

Any of these mitigating actions would significantly reduce any shortfall during the Working Capital Period and, depending on the final proceeds, potentially remove it completely.

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

While the Company’s strategy is to commence production at the Vares Silver 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 Silver 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 the production stage and generate positive cash flow from operations.

It is not uncommon for new mining developments to experience unexpected problems and delays during construction, commissioning and production start-up, or indeed for such projects to fail. Any adverse event affecting the Vares Silver 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.

Risks associated with the development of the Vares Silver Project

The Company’s future success will largely depend upon the Company’s ability to develop and manage the Vares Silver Project in accordance with the plans that will be set out in the forthcoming Feasibility Study.

Development of the Vares Silver Project could be delayed, experience interruptions, incur increased costs or be unable to complete due to a number of factors, including but not limited to:

- changes in the regulatory environment including environmental compliance requirements;
- non-performance by third party consultants and contractors;

- inability to attract and retain a sufficient number of qualified workers;
- 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;
- increases in extraction, processing or transportation costs;
- shortages or delays in obtaining critical mining and processing equipment, or the breakdown or failure of such equipment;
- catastrophic events such as fires, storms or explosions;
- construction, procurement and/ or performance of the Vares Processing Plant and ancillary operations falling below expected levels of output or efficiency;
- 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 Silver Project

It is not uncommon for new mining developments to experience these factors during their construction, commissioning and production start-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 rail head to 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 port and to export its concentrates, which is likely to have a significant negative impact to 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 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 dedicated haulage road will be constructed for the haulage of ore from the Rupice surface infrastructure and the Vares processing plant, as well as transport of concentrate from the Vares processing plant and the Vares rail head. The haulage road will be constructed by a third party and leased to the Company. The haulage road will be maintained by the Company, however 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 underground mine, Rupice surface infrastructure and the Vares processing plant at certain times, which 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 equipment delivery, spare parts availability, failure or service disruption) could adversely affect the Company's the development of the Vares Silver 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 in connection with future development plans for the Vares Silver Project, such as the Bosnian State rail operator, key mining contractors and equipment suppliers, the Bosnian state electricity provider. There can be no assurance that the Company will be able to secure in a timely manner, on commercially acceptable terms (including as to cost) or at all, the provision of all of the services and supply of equipment that the Company will need to execute its development plans, or that such arrangements will be sufficient for its future needs or will not be interrupted.

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. Any disruption to such services or supplies may have an adverse effect on the financial performance of the Company's operations.

In-country Risks in Bosnia and Herzegovina and Serbia

The Vares Silver Project is located in Bosnia and 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 also include, but are not limited to, labour unrest, the risks of war or civil unrest, expropriation and nationalisation, renegotiation or nullification of existing concessions, licences, permits and contracts, illegal mining, changes in taxation policies, restrictions on foreign exchange and repatriation and changing political conditions, currency controls 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 and 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 and Herzegovina and Serbia are still developing.

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.

The Company will conduct its operations in accordance with international laws and standards, which may not be consistent with local customs or practices that could result in loss, reduction of production, logistics and sales, in which the Company’s operational and financial performance may be adversely affected.

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

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

Exploration

There can be no assurance that exploration on the Raska Project and the continued exploration of the wider Vares Concession Area, 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 future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, changing government regulations and many other factors beyond the control of the Company.

Grant of Future Authorisations to Explore and Mine

If the Company 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 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 and 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 those set out in the Company's Project Support Agreement with the European Bank for Reconstruction and Development. However, the Company may be the subject of accidents or unforeseen circumstances that could subject the Company 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.

Operational Risks

The operations of the Company may be affected by various factors, including:

- 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;
- health and safety issues, including pandemics, epidemics, outbreaks of infectious diseases or any other serious public health concerns;
- unanticipated metallurgical problems which may affect extraction costs; and
- adverse weather conditions.

In the event that any of these potential risks eventuate, the Company's operational and financial performance may be adversely affected.

Resource and 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.

Risks related to the impact of COVID-19 and future pandemics

The COVID-19 outbreak is likely to continue to adversely affect the global economy during at least the remainder of 2021 and could result in a significant negative impact on the Group's business, financial condition, results of operations and prospects. The effects of the COVID-19 outbreak are uncertain, including the duration of the outbreak, new information that may emerge concerning the severity of the infection, new variants of the virus, the scope, duration and economic impact of actions taken to contain the spread of the virus or treat its impact (including the short term and long term effectiveness regional and international vaccination programs), and the impact of each of these items on macroeconomic conditions and financial markets globally. Any of these factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Future spread of COVID-19 or future pandemics, epidemics, outbreaks of infectious diseases or any other serious public health concerns, including in areas where the Group's mining operations and its material facilities are located, may result in greater or new risk of exposure to the Group's employees, and the Group may respond by curtailing, rescheduling or suspending its operations, construction or development at its facilities and projects or be required to do so. Future spread of COVID-19 or future pandemics, epidemics, outbreaks of infectious diseases or any other serious public health concerns may also give rise to issues, delays or restrictions in relation to land access and the Group's ability to freely move people and equipment to and from its projects and facilities and may cause delays or cost increases. In addition, COVID-19 or future pandemics, epidemics, outbreaks of infectious diseases or any other serious public health concerns could represent a threat to maintaining a skilled workforce in the mining industry and could be a health-care challenge for the operations of the Group, including the Group's ability to move its personnel. The Group and the Group's personnel may be, and may continue to be, impacted by this pandemic disease and the Group may ultimately see its workforce productivity reduced or incur increased medical costs/insurance premiums as a result of these health risks.

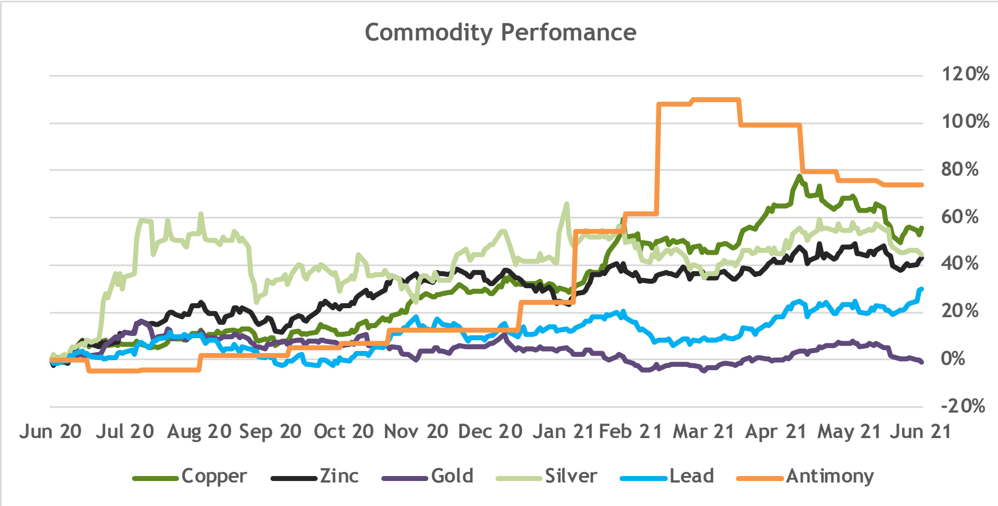
Pandemics, epidemics, outbreaks of infectious diseases or any other serious public health concerns (such as COVID-19) whether on a regional or global scale, together with any resulting restrictions on travel, imposition of quarantines and prolonged closures of workplaces, are likely to have a material adverse effect on the global economy in general, as well as on commodity prices.

Commodity Prices

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

These 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 include expectations regarding inflation, the financial impact of movements in interest rates, global economic trends, and domestic and international fiscal, monetary and regulatory policy settings.

The price performance of relevant commodities for the Vares Silver Project during the 12 months ended 30 June 2021 are shown in the graph below.



Gold: The gold price has remained fairly flat over past year depreciating just 0.7% during the 12 months ended 30 June 2021 and averaging US$1,849/oz. The gold price reached its highest price of US$2,062/oz in August 2020, however, more recently has been range bound between US$1,700/oz and US$1,900/oz. The precious metal has maintained its strength after its post-Covid rebound, remaining well above its crisis-low of US$1,474/oz in March 2020.

Silver: The Silver price has appreciated significantly more than gold during the 12 months ended 30 June 2021, with a rise of 44%. Out of all the metals considered here, silver was most impacted by the Covid shock in mid-March 2020, with the price dropping to a low of US$12/oz. Since this low point the price has recovered strongly by over 115% to US$25.8/oz as of end June 2021.

Copper: During the 12 months ended 30 June 2021, the copper price has appreciated 55% on strong demand from China and optimism on a broader post-pandemic rebound in industrial activity. Copper prices fell to reaching a low of US$4,618/t during the Covid-shock in March 2020. Since then, the price has over doubled to US$9,385/t as of end June 2021, peaking at US$10,725/t during May 2021.

Zinc: Zinc has appreciated by 43% during the 12 months ended 30 June 2021. The price has reversed the steady decline seen before the Q1 2020 Covid shock. After a low of US$1,774/t at the end of March 2020 the metal has seen a strong and steady recovery of over 66%, ending at a price of US$2,946/t as of 30 June 2021.

Lead: Lead has been the worst performing of all the base metals considered here with the lead price appreciating just 30% during the 12 months ended 30 June 2021. The price has recovered 47% from its post-Covid low of US$1,577/t. The price as of 30 June 2020 was US$2,320/t.

Antimony: The antimony price (99.65% CIF) has increased by 74% over the 12 months ended 30 June 2021 ending at US$9,750/t as of 30 June 2021. The Antimony price was mildly affected by the Covid shock but has seen a stronger price recovery than other base and precious metals, peaking in March 2021 at US$11,750/t.

Foreign Exchange Risk

The Company's costs and expenses in Bosnia and Herzegovina and Serbia and other foreign countries are likely to be in foreign currencies. Accordingly, the depreciation of the GBP and/or 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 Silver Project is in production are expected to be earned in US dollars. Any depreciation of the US dollar relative to the GBP may result in lower than anticipated revenue. The

Company will be affected on an ongoing basis by foreign exchange risks between the Australian dollar and the other foreign currencies and will have to monitor this risk.

Historical TSF

Although, the Historical 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 Historical 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 Historical 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 Historical 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.

Results and dividends

The Group results for the six months ended 30 June 2021 are set out in the Consolidated Interim Statement of Financial Position on page 18. 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 Silver Project, no final dividend was paid for the period ended 31 December 2020 and no interim dividend is recommended for the 6 months ended 30 June 2021.

Auditors

BDO LLP (Chartered Accountants) have been auditors of Adriatic Metals PLC since 2020 and were re-appointed at the 2021 Annual General Meeting. Please refer to page 17 for the Auditors Independent Review Report to Adriatic Metals PLC.

Remuneration Matters

Following the receipt of the Rupice Exploitation permit in July 2021, Sanela Karic, Non-Executive Director of Adriatic Metals, recommenced receipt of her Directors fees. Ms Karic's, Directors fees for March to June 2021 were waived and the Company will donate the equivalent amount in the sum of £9,477 to the Adriatic Foundation.

Governance Matters

There were no changes to the Board of Directors or composition of the committees of the board during the Period.

Subsequent events

There were no events subsequent to 30 June 2021 required to be included in this report.

Directors' Responsibilities Pursuant to DTR4

The Directors confirm to the best of their knowledge the interim consolidated financial statements have been prepared in accordance with:

- DTR4.2.7 of the Disclosure and Transparency Rules in the United Kingdom, being an indication of important events during the first six months of the current financial year and their impact on the half-year financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year and
- DRT4.2.8 of the Disclosure and Transparency Rules in the United Kingdom, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period, and any changes in the related party transactions described in the last annual report that could have such a detrimental effect.

Signed in accordance with a resolution of the directors

Paul Cronin

Managing Director and CEO

15 August 2021

INDEPENDENT REVIEW REPORT TO ADRIATIC METALS PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises consolidated interim statement of financial positon, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group will be prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this interim financial report has been prepared in accordance with UK adopted International Accounting Standard 34, ''Interim Financial Reporting''.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

DocuSigned by:
BDO LLP
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Matt Crane (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom
15 August 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

(In GBP)	Note	30 June 2021	(Audited) 31 December 2020
Assets			
Current assets			
Cash and cash equivalents		20,836,983	29,580,538
Other receivables and prepayments	5	674,599	654,514
Total current assets		**21,511,582**	30,235,052
Non-current assets			
Property, plant and equipment	7	1,098,238	969,464
Right of use asset		258,822	236,349
Exploration and evaluation assets	8	39,889,108	36,479,724
Total non-current assets		**41,246,168**	37,685,537
Total assets		**62,757,750**	**67,920,589**
Equity and liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	1,440,562	1,900,437
Lease liability		31,542	35,609
Option Liability	9	1,115,873	2,515,399
Borrowings	6	-	105,515
Total current liabilities		**2,587,977**	**4,556,960**
Non-current liabilities			
Lease liability		241,892	219,731
Borrowings	6	11,416,727	11,590,172
Derivative Liability	6	646,644	3,045,213
Total non-current liabilities		**12,305,263**	**14,855,116**
Total liabilities		**14,893,240**	**19,412,076**
Capital and reserves attributable to shareholders of the parent			
Share capital	12	2,848,842	2,772,186
Share premium	12	53,314,390	51,471,748
Share-based payment reserve	12	6,182,839	5,756,069
Warrants Reserve	12	2,507,488	2,797,086
Other Equity	9	-	(2,515,399)
Foreign currency translation reserve	12	(25,579)	225,580
Retained deficit		(16,963,470)	(13,995,045)
		47,864,510	**46,512,225**
Non-controlling interest	9	-	1,996,288
Total equity		47,864,510	48,508,513
Total equity and liabilities		**62,757,750**	**67,920,589**

The accompanying notes on pages 24 – 42 are an integral part of these Interim Consolidated Financial Statements.

These Interim Consolidated Financial Statements of Adriatic Metals PLC, registered number 10599833, were approved and authorised for issue by the Board of Directors on 15 August 2021 and were signed on its behalf by:

Paul Cronin

Managing Director & Chief Executive Officer

Geoff Eyre

Chief Financial Officer & Joint Company Secretary

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(In GBP)		Note	Six Months Ended 30 June 2021	(Audited) Six Months Ended 31 December 2020
Exploration costs		13	(1,331,294)	(798,028)
General and administrative expenses		14	(2,301,834)	(2,115,707)
Share-based payment expense		12f	(978,386)	(2,267,239)
Other income			62,206	4,816
Operating loss			**(4,549,308)**	**(5,176,158)**
Finance expense		15	(1,139,382)	(197,039)
Revaluation of fair value assets and liabilities		6	2,398,569	(322,987)
Loss before tax			**(3,290,121)**	**(5,696,184)**
Tax charge			-	1,681
Loss for the period			**(3,290,121)**	**(5,694,503)**
Other comprehensive income that might be reclassified to profit or loss in subsequent periods:				
Exchange gain arising on translation of foreign operations			(251,159)	5,775
Total comprehensive loss for the period			**(3,541,280)**	**(5,688,728)**
Total comprehensive loss attributable to:				
Owners of the parent			(3,346,896)	(5,169,617)
Non-controlling interest			(194,384)	(519,111)
			(3,541,280)	**(5,688,728)**
Net loss per share	Basic and diluted (pence)	12g	(1.57)	(2.99)

The accompanying notes on pages 24-42 are an integral part of these Consolidated Interim Condensed Financial Statements.

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(In GBP)	Note	Number Of Shares	Share Capital	Share Premium	Share- Based Payment Reserve	Warrants	Other Equity	Foreign Currency Translation Reserve	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 year:												
Loss for the year		-	-			-			(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	12	5,276,595	70,469	6,129,531	-	-	-	-	-	**6,200,000**		**6,200,000**
Settlement Placement	12	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 and performance rights	12	4,350,000	58,093	1,203,817	(1,173,926)	-	-	-	1,173,926	**1,261,910**		**1,261,910**
Issue of options and performance rights	12	-	-	-	2,267,239	-	-	-	-	**2,267,239**		**2,267,239**
Acquisition of subsidiary	9,12	13,278,937	177,340	16,952,489	236,571	2,797,086	(2,515,399)	-	-	**17,648,087**	2,515,399	**20,163,486**
31 December 2020 (Audited)		**207,576,675**	**2,772,186**	**51,471,748**	**5,756,069**	**2,797,086**	**(2,515,399)**	**225,580**	**(13,995,045)**	**46,512,225**	**1,996,288**	**48,508,513**

(In GBP)	Note	Number Of Shares	Share Capital	Share Premium	Share- Based Payment Reserve	Warrants	Other Equity	Foreign Currency Translation Reserve	Retained Earnings	Capital And Reserves Attributable to Owners Of The Parent	Non-Controlling Interest	Total Equity
31 December 2020 (Audited)		207,576,675	2,772,186	51,471,748	5,756,069	2,797,086	(2,515,399)	225,580	(13,995,045)	**46,512,225**	1,996,288	**48,508,513**
Comprehensive income for the Period:												
Loss for the period		-	-	-	-	-	-	-	(3,095,736)	**(3,326,587)**	(194,384)	**(3,290,120)**
Other comprehensive income		-	-	-	-	-	-	(251,159)	-	**(251,159)**	-	**(251,159)**
Total comprehensive loss		-	-	-	-	-	-	**(251,159)**	**(3,095,736)**	**(3,346,895)**	**(194,384)**	**(3,541,279)**
Contributions by and distributions to owners:												
Issue of share capital	12	1,065,260	14,227	590,896	-	-	-	-	-	**605,123**	-	**605,123**
Share issue costs		-	-	(88,048)		-	-	-	-	**(88,048)**	-	**(88,048)**
Exercise of options and performance rights	12	4,104,600	54,816	639,624	(551,615)	-	-	-	551,615	**694,440**	-	**694,440**
Issue of options and performance rights	12	-	-	-	978,385	-	-	-	-	**978,385**	-	**978,385**
Exercise of Warrants	12	404,035	5,396	491,567	-	(153,898)	-	-	153,898	**496,693**	-	**496,693**
Expiry/Cancellation of warrants	12	-	-	-	-	(135,700)	-	-	135,700	**-**	-	**-**
Acquisition of subsidiary	9,12	166,000	2,217	208,603	-	-	2,515,399	-	(713,902)	**2,012,317**	(1,801,904)	**210,413**
30 June 2021		**213,316,570**	**2,848,842**	**53,314,390**	**6,182,839**	**2,507,488**	**-**	**(25,579)**	**(16,963,470)**	**47,864,510**	**-**	**47,864,510**

The accompanying notes on pages 24-42 are an integral part of these Interim Consolidated Financial Statements.

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(In GBP)	Note	Six Months Ended 30 June 2021	(Audited) Six Months Ended 31 December 2020
Cash flows from operating activities			
Loss for the period		(3,290,121)	(5,694,503)
Adjustments for:			
Loss on Disposal of Fixed Asset		-	1,106
Depreciation of property, plant and equipment	7	46,581	36,157
Amortisation of exploration & evaluation assets	8	14,999	11,469
Amortisation of right-of-use assets		16,346	15,549
Share-based payment expense	12	978,386	2,267,239
Finance expense	15	1,139,382	197,039
Revaluation of fair value asset and liability	6	(2,398,569)	322,987
Changes in working capital items:			
Increase in other receivables and prepayments		(38,258)	(151,833)
(Decrease) / increase in accounts payable and accrued liabilities		(490,111)	687,582
Net cash used in operating activities		**(4,021,365)**	**(2,307,208)**
Cash flows from investing activities:			
Cash acquired on acquisition		-	311,964
Cash payment in relation to Option Liability		(1,188,706)	-
Purchase of property, plant and equipment	7	(206,409)	(90,864)
Purchase of exploration & evaluation assets	8	(3,901,580)	(3,052,019)
Sale of Property, plant and equipment		-	1,970
Loans issued	6	-	(723,300)
Net cash used in investing activities		**(5,296,695)**	**(3,552,249)**
Cash flows from financing activities:			
Gross proceeds from the issue of ordinary shares	12	1,796,526	12,317,964
Gross proceeds from loans and borrowings	6	-	14,956,849
Transaction costs arising from financing activities	12	(88,048)	(1,447,201)
Interest paid on loans and borrowings	6	(718,445)	-
Interest paid on lease liabilities		(9,990)	(10,523)
Net cash flows from financing activities		**980,043**	**25,817,089**
Net (decrease) / increase in cash and cash equivalents		(8,338,017)	19,957,632
Exchange losses on cash and cash equivalents		(405,538)	(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		**20,836,983**	**29,580,538**

The accompanying notes on pages 24-42 are an integral part of these Interim Consolidated Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

The condensed set of financial statements for the period ended 30 June 2021 comprises the consolidated interim statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cashflows, present the financial information of Adriatic Metals PLC and its subsidiaries detailed in Note 4a (collectively, the Group). 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 advanced Vares Silver Project in Bosnia & Herzegovina. The Vares Silver Project consists of two high-grade polymetallic deposits, located at Rupice and Veovaca. The Group expanded its exploration activities to Serbia during the period with the acquisition of the Tethyan Resource Corp to order to advance the former Kizevak and Sastavci polymetallic mines in the Raska District of southern 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.

The Vares Silver 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 Pre-Feasibility study indicate an NPV_8 of US$1,040 million and IRR of 113%. Leveraging its first-mover advantage, Adriatic is rapidly advancing the project into the development phase and through to production.

2. Basis of preparation

a Statement of compliance

These Condensed Consolidated Interim Financial Statements are unaudited and do not constitute a statutory set of financial statements in accordance with the meaning of Section 434 of the Companies Act 2006. The annual financial statements will be prepared in accordance with UK IFRS and prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee. ("IFRIC").

The Consolidated Interim Financial Statements were authorised for issue by the Board of Directors on 15 August 2021.

b Basis of measurement

These Interim Consolidated Financial Statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

These Interim Consolidated Financial Statements are presented in Great Britain Pounds ("GBP"). The functional currency of the Company is the Great Britain Pound.

c Going Concern

The Group incurred a loss in the period of £3,290,121 (31 December 2020 - £5,694,503). However, the Group also had a net asset position at the balance sheet date of £47,864,510 (31 December 2020 - £46,512,225).

The Company and Group continue to meet their working capital requirements with the support of investors completed a £6.2 million equity private placement with the European Bank for Reconstruction and issue of US$20 million in convertible debentures to Queens Road Capital during Q4 2020. The results from the October 2020 Vares Silver Project Pre-Feasibility study indicated a project NPV_8 of US$1,040 million and IRR of 113% further underline the Group's future potential as producing mine generating healthy cash flows.

The Group's operations have been largely unaffected by COVID-19 with exploration and development work continuing with only minor disruption. The Vares Silver Project's economics, the resource based of which includes a substantial element attributable to precious metals, remain attractive notwithstanding the impact that COVID-19 has had on commodity prices and demand.

Cash flow forecasts prepared inclusive of discretionary expenditure, based on planned levels of future activity including commencement of construction of the Vares Silver Project, indicate that the Group will need to raise additional finance within the next 12 months. However, the Directors' believe that the Group can secure the additional funding necessary to continue in operational existence for the next 12 months at planned activity level from the date of this report and would defer the acceleration in cash burn rate that would arise on the commencement of construction until adequate funding is in place to do so.

Cash flow forecasts prepared based on current committed expenditure and non-discretionary spend only, 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 Interim Consolidated Financial Statements. The Directors therefore believe there is not a material uncertainty regarding going concern and that it is appropriate to prepare the interim consolidated financial statements on a going concern basis.

Significant accounting policies

The accounting policies adopted in the preparation of the Interim Consolidated Financial Statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020 except for the adoption of new standards and interpretations effective as of 1 January 2021 and the additional judgement made in the Period on the Adriatic Foundation below. Adoption of these standards and interpretations did not have any effect on the statements of financial position or performance of the group.

a The 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 Silver 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.

b Standards, amendments and interpretations adopted

During the period, no new standards and amendments have been implemented.

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 1	Amendment – regarding the classification of liabilities	1 January 2022
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
IFRS 17	Insurance contracts	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 Standard or Interpretation to have a material impact on the entity's financial statements in the period of initial application.

3. 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.

b 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 imbedded within this agreement. The option is recognised as a derivative liability in the Group and company accounts and required a separate fair valuation.

See note 6 for further details regarding these inputs.

c Share-based payments

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 the Black-Scholes Option Pricing 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 shares which will vest. See note 12 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 entity	Country of incorporation	Functional currency
Adriatic Metals PLC	England & Wales	GBP
Eastern Mining d.o.o.	Bosnia and Herzegovina	BAM*
Tethyan Resource Corp	Canada	CAD
Tethyan Resources PLC	England & Wales	GBP
Tethyan Resources Jersey Ltd	Jersey	GBP
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	Bulgaria	EUR
Kosovo Resource Company	Kosovo	EUR
Ras Metals d.o.o.	Serbia	RSD*

* Bosnian Marks (BAM) and Republic of Serbia Dinars (RSD) currencies are pegged to the Euro.

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.

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 and intent to acquire the remaining equity interest in Ras. 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 25.

The consideration paid in order to exercise right to purchase of the remaining equity contains both fixed and variable elements. As a result of the variable element of the consideration payable the Group did not have access to present returns in Ras at 31 December 2020 and has therefore recognised a non-controlling interest. On 23 February 2021 when the Company completed the acquisition, this non-controlling interest reserve was netted off with the Other Equity reserve.

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.

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.

4. Other receivables and prepayments

(In GBP)	30 June 2021	31 December 2020
Other receivables	14,390	8,729
Prepayments and deposits	159,342	138,088
Taxes receivable	500,867	507,698
Total	**674,599**	**654,514**

All receivables are due within one year.

The Group has three reporting segments and two operating locations which are Bosnia & Herzegovina and Serbia.

Split of other receivables and prepayments as follows as at 30 June 2021:

	Bosnia	Serbia	Corporate	Total
Other receivables	2,121	8,686	3,582	**14,389**
Prepayments and deposits	33,931	29,085	96,325	**159,342**
Taxes receivable	381,757	70,319	48,792	**500,867**
Total	**417,809**	**108,090**	**148,699**	**674,599**

Split of other receivables and prepayments as follows as at 31 December 2020:

	Bosnia	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**

5. Financial liabilities at fair value through profit and loss

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 AUD 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 both the imbedded option and loan liability at fair value in the profit and loss.

Valuation Model

The Black Scholes model was chosen as the most appropriate pricing model to value the company call options, valuation was updated at 30 June 2021. The main assumptions and inputs used in the options pricing model 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 AUD 2.7976 per ordinary share.
- Expected term – Judgement applied to assign probability to the various redemption and put options in the contract. The Group will be seeking to raise finance to progress the Vares project. Expected term of redemption calculated as 0.55 years from the valuation date.
- Expected volatility – Weekly volatility over the 0.55 years (29 weeks) was calculated as 37.8% 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 AUD 2.38 on the valuation date on the ASX.

Using the assumptions set out above, Black Scholes value of call option in hands of Bondholder is £646,644.

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.

Sensitivity of the loan value to reasonably possible changes in the assumptions of expected term and volatility of the Company's share price are as follows:

		Change in volatility of Company's share price		
		20%	Unchanged (37.8%)	50%
Change in expected term	13 Weeks	£0.62m Decrease	£0.38m Decrease	£0.13m Decrease
	Unchanged (29 weeks)	£0.51 Decrease	-	£0.41m Increase
	52 Weeks	£0.33m Decrease	£0.35m Increase	£1.05m Increase

(In GBP)	QRC Loan Payable
At 30 June 2020	
Additions	(14,956,849)
Interest expense	(105,515)
Foreign Exchange gain	321,464
Recognition of fair value embedded option	3,045,213
At 31 December 2020	**(11,695,687)**
Interest expense	(717,786)
Foreign Exchange gain	278,301
Payment of Interest	718,445
At 30 June 2021	**(11,416,727)**

(In GBP)	Derivative Liabilities
At 30 June 2020	-
Recognition	(3,045,213)
At 31 December 2020	**(3,045,213)**
Revaluation	2,398,569
At 30 June 2021	**(646,644)**

Short term borrowings at 30 June 2021 are nil (31 December 2020: £105,515). Long term borrowings at 30 June 2021 are £11,416,727 (31 December 2020: £11,590,172). Derivative liabilities as at 30 June 2021 are £646,644 (31 December 2020: £3,045,213).

6. Property, plant and equipment

Cost (In GBP)	Land & Buildings	Plant & Machinery	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)	**(13,148)**
31 December 2020	**755,491**	**383,639**	**1,139,130**
Additions	61,857	144,552	**206,409**
Foreign exchange difference	(29,156)	(9,373)	**(38,529)**
30 June 2021	**788,192**	**518,818**	**1,307,010**

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**
Charge for the period	8,044	38,537	46,581
Foreign exchange difference	(848)	(6,628)	(7,476)
30 June 2021	**28,172**	**180,600**	**208,772**

Net Book Value

30 June 2020	**722,405**	**188,515**	**910,920**
31 December 2020	**734,516**	**234,948**	**969,464**
30 June 2021	**760,020**	**338,218**	**1,098,238**

The Group has three reporting segments and two operating locations which are Bosnia & Herzegovina and Serbia.

Split of Land and buildings net book value as follows:

	Bosnia	Serbia	Corporate	Total
30 June 2020	705,951	N/A	16,454	722,405
31 December 2020	718,939	-	15,577	734,516
30 June 2021	745,307	-	14,713	760,020

Split of Property Plant and equipment assets net book value as follows:

	Bosnia	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
30 June 2021	264,399	48,504	25,315	338,218

7. Exploration and evaluation assets

Cost (In GBP)	Vares Silver Project in Bosnia	Raska Project in Serbia	Exploration & Evaluation Assets
30 June 2020	**9,154,042**	**-**	**9,154,042**
Acquisition	**-**	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	3,901,580	-	3,901,580
Foreign exchange difference	(481,379)	-	(481,379)
30 June 2021	**15,562,392**	**24,456,506**	**40,018,898**
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	14,999	-	14,999
Foreign exchange difference	(4,182)	-	(4,182)
30 June 2021	**129,790**	**-**	**129,790**
Net Book Value			
30 June 2020	**9,045,169**	**-**	**9,045,169**
31 December 2020	**12,023,218**	**24,456,506**	**36,479,724**
30 June 2021	**15,432,602**	**24,456,506**	**39,889,108**

Exploration and evaluation assets include amount of £24,456,506 added in the prior 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 are in respect of the Vares Silver Project concession, located in Bosnia & Herzegovina. The concession is 100% owned by Eastern Mining d.o.o.

From 25 May 2020, the Vares Silver 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 amortisation charged over the life of the concession granted. All other exploration and evaluation assets are not amortised until beginning of the production phase.

8. 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 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 EUR 1,365,000 in cash plus the allotment of 166,000 Ordinary shares of £0.013355 each in the Company.

Additionally, deferred consideration still to be paid at 30 June 2021 of EUR 500,000 in cash, is payable on 14 May 2022, and 498,000 Ordinary shares in the Company that will be allotted in three equal tranches on or around 22 August 2021, 22 February 2022 & 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 estimate at £2,515,399 as at 31 December 2020. The subsequent movements in the Period were as follows:

Consideration Payable (In GBP)	Option Liability
At 31 December 2020	2,515,399
Consideration paid:	
Cash	(1,188,706)
Shares issues	(210,820)
At 30 June 2021	**1,115,873**

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.

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. In the case of an asset acquisition (rather than business combination), the consideration equals the combined fair value of assets acquired. 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 EUR cash plus 12,000,000 shares issued in Tethyan, equating to £1,587,934. The net asset 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 assets (£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.

Treatment of Ras Metals Option Agreement

The company recognises an investment for the fair value of the equity acquired (being 10% share of Ras Metals and 100% share of equity in all other Tethyan entities) totalling £2,097,170. The excess value of the transaction over the investment is recognised as a call option asset totalling £20,581,714. The fair value of the remaining consideration to be paid of £2,515,399 has been recognised as an option liability. When the option liability is paid the amount will be capitalised in exploration and evaluation assets and any difference arising from future foreign exchange movements will be recognised in the profit & loss.

(In GBP)	Fair Value
Apportioned fair value to Ras Metals d.o.o. 10% owned	2,286,857
Total investment recognised in company accounts	2,097,170
Remaining fair value apportioned to 90% call option Ras Metals	20,581,714
Total Fair Value of Consideration to be paid	**22,678,884**
Net liability position of Tethyan 100% owned	189,687
Exploration assets included within the net assets of Tethyan 100% owned entities	1,587,934
Total exploration and evaluation asset value	**24,456,505**

Asset Acquisition

The net cash used in the acquisition of subsidiaries and the provisional fair value of assets acquired and liabilities assumed on the acquisition date is detailed below:

(In GBP)	Fair 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	(506,900)
Related party borrowings	(1,640,838)
Other Equity	(15,840)
Total Assets acquired	**(189,687)**

Management have determined there is 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 assets acquired net of consolidation adjustments	(£189,687)
Investment eliminated for Group accounts	(£2,097,170)
Mining and intangible assets recognised on acquisition	£24,456,505
Non-controlling Interest recognised	£2,515,399

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.

9. Accounts payable and accrued liabilities

(In GBP)	30 June 2021	31 December 2020
Trade payables	923,464	1,222,012
Accrued liabilities	468,370	639,743
Other payables	48,728	38,682
	1,440,562	**1,900,437**

10. 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 30 June 2021 (In GBP)	Note	At amortised cost	At fair value through profit or loss	Total	Fair Value Hierarchy
Financial assets					
Cash and cash equivalents		20,836,983	-	**20,836,983**	N/A
Other receivables and prepayments	5	173,732	-	**173,732**	N/A
Total financial assets		**21,010,715**	**-**	**21,010,715**	
Financial liabilities					
Accounts payable and accrued liabilities	10	1,440,562	-	**1,440,562**	N/A
Borrowings	6	11,416,727		**11,416,727**	Level 3
Borrowings – derivative liability	6		646,644	**646,644**	Level 3
FV Option Liability -acquisition of Ras Metals	9		1,115,873	**1,115,873**	Level 3
Lease liabilities		273,434	-	**273,434**	Level 3
Total financial liabilities		**13,130,723**	**1,762,517**	**14,893,240**	
Net financial assets		**7,879,992**	**(1,762,517)**	**6,117,475**	

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	10	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
FV Option Liability -acquisition of Ras Metals	9	-	2,515,399	**2,515,399**	Level 3
Lease liabilities		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**	

11. 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)	Share Premium (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	16,952,489
Settlement placement	4,830,156	64,507	4,791,547
Share issue costs		0	(1,598,603)
Shares issued on exercise of options and performance rights	4,350,000	58,093	1,203,817
31 December 2020	**207,576,675**	**2,772,186**	**51,471,748**
Shares issued on acquisition of subsidiary	166,000	2,217	208,603
Issue of share capital	1,065,260	14,227	590,896
Share issue costs	-	-	(88,048)
Shares issued on exercise of options and performance rights	4,104,600	54,816	639,624
Shares issued on exercise of warrants	404,035	5,396	491,567
30 June 2021	**213,316,570**	**2,848,842**	**53,314,390**

The average price paid for shares issued in the period was £0.35 per share (31 December 2020: £1.06 per share)

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 six months ended 30 June 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	-	-	1,507,259	1,507,259
Exercised	0.36	(3,066,000)	(1,038,600)	(4,104,600)
Expired	0.43	(2,000,000)	(500,000)	(2,500,000)
30 June 2021	**0.53**	**12,303,779**	**3,703,659**	**16,007,438**

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 30 June 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	2.5	1 July 2023	9,000,000
29 November 2019	1,000,000	A$1.00	1.9	28 November 2022	1,000,000
29 November 2019	1,000,000	A$1.25	1.9	28 November 2022	1,000,000
8 October 2020	16,600	GBP £0.88	0.6	16 August 2021	16,600
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
	12,303,779				**12,206,669**

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**

As at 30 June 2021

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	325,000	2.0	31 December 2022	-
4 April 2021	218,659	1.9	28 November 2022	218,659
30 June 2021	100,000	2.0	31 December 2022	-
30 June 2021	50,000	2.2	31 March 2023	-
30 June 2021	100,000	3.2	31 March 2023	-
	3,703,659			**628,659**

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**

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.

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 six months ended 30 June 2021:

(In GBP)	Warrants reserve
30 June 2020	-
Issue of Warrants on acquisition of Tethyan	2,797,086
31 December 2020	**2,797,086**
Expired	(153,898)
Exercised	(135,700)
30 June 2021	**2,507,488**

As at 30 June 2021

Grant date	Warrants outstanding	Exercise price	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable
8 October 2020	452,436	£1.23	0.6	16 August 2021	452,436
8 October 2020	2,858,520	£0.88	3.1	30 January 2024	2,858,520
	3,310,956				**3,310,956**

As at 31 December 2020

Grant date	Warrants outstanding	Exercise price	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable
8 October 2020	413,642	£1.23	0.3	20 April 2021	413,642
8 October 2020	328,671	£1.23	0.5	29 June 2021	328,671
8 October 2020	527,800	£1.23	0.6	16 August 2021	527,800
8 October 2020	2,858,520	£0.88	3.1	30 January 2024	2,858,520
	4,128,633				**4,128,633**

e Share-based payment reserve

The following table presents changes in the Group's share-based payment reserve during the six months ended 31 December 2020:

(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 and performance rights	2,267,239
31 December 2020	**5,756,069**
Exercise of share options	(551,616)
Issue of options and performance rights	978,386
30 June 2021	**6,182,839**

f Share-based payment expense

During the period ended 30 June 2021; the Group recognised £978,386 (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 period ended	30 June 2021	31 December 2020
Risk-free interest rate	0.01%	0.01%
Expected volatility [1]	44.14%	63.65% - 97.76%
Expected life (years)	1.5 - 2.75	0.85 - 4.41
Fair value per option	£1.33	£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 prior period (31 December 2020: 1,000,000) that vested immediately, 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 Committee Report.

g Per share amounts

	6 months ended 30 June 2021	6 months ended 31 December 2020
Loss for the period attributable to owners of equity (In GBP)	3,290,121	5,694,503
Weighted average number of common shares for the purposes of basic loss per share	209,275,427	190,619,399
Weighted average number of common shares for the purposes of diluted loss per share	232,748,037	213,827,441
Basic loss per share (pence)	(1.57)	(2.99)

A total of 3,953,659 (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 30 June 2021.

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	(251,159)
30 June 2021	**(25,579)**

i Cash flow from financing activities

Net cash flow proceeds from the issue of ordinary shares in the period was £1,796,526 (31 December 2020: £12,317,964). Transaction costs arising from financing activities totals £88,048 (31 December 2020: £1,447,201).

12. 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)	6 months ended 31 June 2021	6 months ended 31 December 2020
Exploration activities expensed	1,331,294	798,028

13. General and administrative expenses

(In GBP)	6 months ended 30 June 2021	6 months ended 31 December 2020
Wages and salaries	759,023	616,278
Consultancy fees	494,136	468,047
Cash remuneration in respect of qualifying services	**1,253,159**	**1,084,325**
Professional fees	235,444	313,760
Amortisation	31,345	27,017
Depreciation	46,581	36,157
Audit fee	40,000	100,175
Marketing	98,710	75,250
Stock exchange fees	77,252	136,166
Other costs	519,343	342,857
	2,301,834	**2,115,707**

14. Finance expense

(In GBP)	6 months ended 30 June 2021	6 months ended 31 December 2020
Interest expense	616,512	82,744
Interest expense on lease liabilities	9,990	10,523
Foreign exchange loss	512,860	103,772
Finance expense	**1,139,382**	**197,039**

15. 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	Six months ended 30 June 2021				Six months ended 31 December 2020			
(In GBP)	Bosnia	Serbia	Corporate	**Total**	Bosnia	Serbia	Corporate	**Total**
Exploration activities expenses	(223)	(1,331,072)	-	**(1,331,295)**	(5,015)	(793,013)	0	**(798,028)**
General and administrative expenses	(629,303)	(440,963)	(1,231,566)	**(2,301,832)**	(249,932)	(424,935)	(1,440,840)	**(2,115,707)**
Share-based payment expense	-	-	(978,386)	**(978,386)**	-	-	(2,267,239)	**(2,267,239)**
Other income	51,134	-	11,072	**62,206**	-	-	4,816	**4,816**
Operating Loss	**(578,392)**	**(1,772,035)**	**(2,429,731)**	**(4,549,307)**	**(254,947)**	**(1,217,948)**	**(3,703,263)**	**(5,176,158)**
Finance income	-	-	-	**-**	-	-	-	**-**
Finance expense	-	-	(1,139,382)	**(1,139,382)**	-	-	(197,039)	**(197,039)**
Revaluation of fair value asset	-	-	2,398,569	**2,398,569**	-	-	(322,987)	**(322,987)**
Loss before tax	**(578,392)**	**(1,772,035)**	**(939,693)**	**(3,290,120)**	**(254,947)**	**(1,217,948)**	**(4,223,289)**	**(5,696,184)**
Tax charge	-	-	-	-	-	-	1,681	1,681
Loss after tax	**(578,392)**	**(1,772,035)**	**(939,693)**	**(3,290,201)**	**(254,947)**	**(1,217,948)**	**(4,221,608)**	**(5,694,503)**

Segmental Split	Period Ended 31 December 2020				Year Ended 30 June 2020			
(In GBP)	Bosnia	Serbia	Corporate	Total	Bosnia	Serbia	Corporate	Total
Exploration and evaluation assets additions capitalised	3,901,580	-	-	3,901,580	3,052,019	24,456,506	-	27,508,525

16. 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:

	6 months ended 30 June 2021		6 months ended 31 December 2020		
Related Party (In GBP)	(Payments to)/received from	Balance (owed to)/due from	(Payments to)/received from	Balance (owed to)/due from	Nature of transactions
Swellcap Limited	(13,899)	-	(258)	(13,899)	Corporate office facilities and services
Blackdragon Gold Corp	2,658	3,599	-	-	Corporate office facilities and services
Adriatic Foundation	(5,410)	-	-	-	Initial establishment costs
Adriatic Foundation		(9,477)	-	-	S Karic's waived board fees

Additionally, the Company also announced on 9th June 2021 that it intends to provide an initial donation of €100,000 to the Foundation and 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 Chief Executive Officer and the Chief Financial Officer, their remuneration is presented below:

(In GBP)	6 months ended 30 June 2021	6 months ended 31 December 2020
Board fees	118,543	104,767
Consultancy fees	209,167	172,991
Cash remuneration in respect of qualifying services	**327,710**	**277,758**
Share based payments expense	120,983	736,715
Social security costs	14,259	15,030
	462,952	**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 12f of the accounts.

Consultancy fees above include the following amounts paid to related party companies controlled by key management personnel:

(In GBP) Related party	Controlling party	6 months ended 30 June 2021	6 months ended 31 December 2020
Swellcap Limited	Paul Cronin	-	84,999
GPE Consulting Limited	Geoff Eyre	86,667	87,992

There were no balances outstanding with related parties as at 30 June 2021 (31 December 2020: £nil).

17. Commitments and contingencies

The Group had no significant commitments as at 30 June 2021 (31 December 2020: £nil), other than leases recognised on Consolidated Interim Statement of Financial position and annual concession fees disclosed in note 7.

18. Subsequent events

There were no events subsequent to 30 June 2021 required to be included in this report.