Adriatic Metals

From developer to producer

Annual Report 2022

For the year ended 31 December 2022

Introduction

A significant moment in our short history

About us

Adriatic Metals is a precious and base metals developer that is advancing the world-class Vares Silver Project in Bosnia and Herzegovina, as well as the Raska Zinc-Silver Project in Serbia.

The Vares Silver Project is fully funded to production, which is expected in Q3 2023.

The 2021 Project Definitive Feasibility Study boasts robust economics of US$1,062m post-tax NPV_8, 134% IRR and a capex of US$168m. Concurrent with ongoing construction activities, the Company continues to explore across its highly prospective 42km² concession package.

Adriatic Metals is listed on the London Stock Exchange (LSE:ADT1), the Australian Stock Exchange (ASX:ADT) and the OTC Markets Group (OTCQX:ADMLF).

Highlights of the year

Corporate

Delivering European resource self sufficiency

See p.4

Highlights

Employees **192**	Contractors **138**
National employees **91%**	Foreign Direct Investment **25%**

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Strategic Report

A scalable model to develop sustainable strategic metals

See p.8

Offtake contracts agreed **100%**	Drilling complete **88%**
DFS projected budget **$168m**	Total current mine cost **$183m**
Total project completion **70%**	Infill drilling **8,139m**

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Governance

Delivering responsibly developed value to all stakeholders

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LTIFR **1.03**	TRIFR **4.10**
Female diversity **29%**	Employee Satisfaction **89%**

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Strong capital control & cash position

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NPV_8 **$1,062**	Cash position **$60.6m**
IRR **134%**	Contingency **$10m**

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Corporate

Delivering European resource self sufficiency

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Company overview

Europe's new source of strategic metals

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

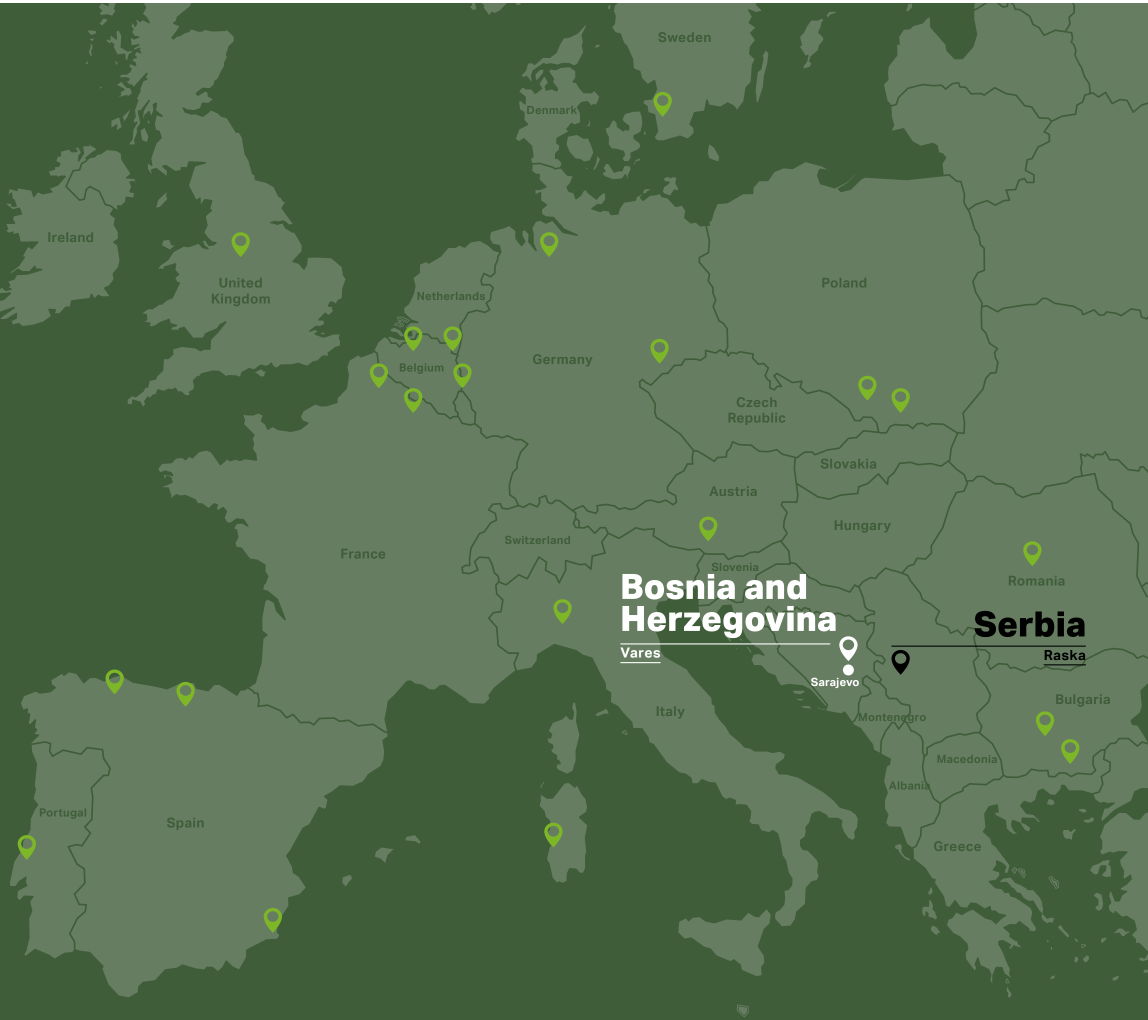
Vares Project, Bosnia and Herzegovina

The Company's flagship Vares Project is located in the municipality of Vares, within the Zenica-Doboj canton, approximately 50km north of the Bosnian capital of Sarajevo. The town has a long history of mining. State-owned iron ore mining operations and associated steelworks operated from the 1890s until the late 1980s and, as a result, there remains existing road, rail, water and power infrastructure. The Project's underground deposit, called Rupice, has high-grade silver and zinc dominant polymetallic mineralised widths of up to 65m from 250-300m deep. The Company is confident that the predominantly greenfield land package has significant exploration potential to add to the current 10-year life of mine.

The Vares Project is now over 70% through construction. Mining development at Rupice is progressing well and construction at the Vares Processing Plant is well underway. The haul road, mine site infrastructure and additional infrastructure at the railhead and port are on track for completion in Q3 2023. The Project is fully funded and remains on schedule for first concentrate production in Q3 2023.

In 2023, Rupice will remain the focus of exploration activities as the deposits remain open and still to be fully defined. Exploration activity will continue to realise the resource and reserve potential of this existing deposit and there is potential to materially extend the current life of mine of the Vares Project.

In the wider Vares region, significant potential remains across the range of greenfield, brownfield and advanced exploration targets. Adriatic is committed to advancing exploration regionally to find the next economic-grade deposit that will diversify the current production profile and capitalise on the existing tenement holding.



Bosnia and Herzegovina: A modern-day jurisdiction

- Candidate for EU membership
- Population and both local and federal government are supportive of mining industry
- Strong mining history
- Clear and concise mining code in a stable democracy
- 10% corporate tax and favourable royalty regime
- Business friendly environment
- Extensive access to rail networks linking European smelters and the seaborne market

Current reserve at Rupice is of 114Moz AgEq (7.3Mt @ 485g/t AgEq).

Raska Project, Serbia

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

In 2022, a robust exploration project pipeline was advanced. Mapping, trench–soil–rock chip sampling, and geophysical surveys were completed in various combinations across Kozya Glava, Rudnica, Kremice Porphyry, Plavkovo, Bukovic, Lipovica and Karadak prospects. Drill testing was completed on the Kremice, Sastavci, Lipovica, Bukovic, Plavkovo and Kremice Porphyry prospects. Positive outcomes from 2022 exploration programmes will be followed up in 2023 across the Kizevak, Kozja Glava, Rudnica, Kremice Porphyry, Plavkovo and Bukovik prospects.

Our operations and European smelter locations

- Vares Project
- Raska Project
- Sarajevo - Capital of Bosnia and Herzegovina
- Likely customers in northern Europe

Chairman's statement

On the cusp of production

Michael Rawlinson
Chairman of the Board

Overview

The last twelve months have been transformational for Adriatic. The Company has evolved and significantly matured as it progresses through the construction phase and ever closer to production. It will soon be delivering Europe's new source of strategic metals from the world class Vares Project in Bosnia and Herzegovina and will complete construction, commence ore mining and export our first concentrate production in 2023.

The Company has achieved great progress during a testing time characterised by geo-political insecurity and economic uncertainty. Diplomatic and economic events including Russia's invasion of Ukraine, Covid–19 and a global recessionary environment have thrown up multiple challenges including high inflation, currency volatility, supply chain issues and increasing interest rates. It is a testament to our management's leadership and foresight that our operational progress has only been marginally affected and the Company continues to deliver on its key objectives. Construction of the Vares Project will be completed in 2023 with only a small slippage in the delivery schedule and minimal increase in capital expenditure. I have been impressed with how budgets have been managed and I am confident of the Company's ability to continue to adapt to a volatile economic environment.

The execution of the world class Vares Silver Project demonstrates one of the fastest rates of development for any junior mining company. The Company has advanced from exploration discovery to construction in less than six years; and is delivering the first project of this scale in Bosnia and Herzegovina in over 30 years. This success is a credit to our growing team of dedicated employees, one that now boasts 94% nationals in the operating entity, Eastern Mining. Their hard work and creativity continue to deliver the solutions required to meet our strategic and operational goals, during a historically challenging time for our industry.

> **"The Company has achieved great progress during a testing time characterised by geo-political insecurity and economic uncertainty."**

Project delivery

It is a tribute to the determination of our staff that the Vares Project is scheduled to enter production in Q3 2023. The Rupice mine site is over 70% complete and the construction of the Vares Processing Plant is well underway. The infrastructure and logistics required to support these operations are also nearing completion and first concentrate production is scheduled for Q3 2023.

Construction performance has been complemented by outstanding results in the exploration programme. The ore body extension discovery at Rupice Northwest ("Rupice NW") has delivered high-grade results and the Company is confident that further drilling will prove Vares to be a Tier 1 asset, with a 20-year Life of Mine. We look forward to an updated Mineral Resource Estimate in 2023, along with the exploration of additional target areas within the Project concession area.

Over the past year exploration drilling continued at Raska in Serbia, with one diamond core drilling rig. Key prospects have been identified and exploration will continue in 2023. However, as the Company plans to develop the Raska Project over a longer time horizon, the decision has been made to recognise a non-cash partial impairment of $23.2m against Raska, bringing the carrying value to $8.5m.

Sustainabilty

The overall purpose of our Company is to create value for all stakeholders through responsible mining activities. This includes careful stewardship of the environment, positive socio-economic contributions and shared prosperity.

The nature of Adriatic's operations will result in a range of socio-environmental impacts, and the Company's commitment to responsible business practices is paramount to maintaining a social licence to operate. Adriatic aims to be a leader in the industry and in the regions in which it operates. It is recognised that the challenges faced by the mining industry require transformation in how mineral resources are extracted whilst appreciating climate-risk impacts to the business. Adriatic is well placed to produce high-grade critical metals within Europe and reduce reliance on imports from higher-carbon producers and often fragile supply chains of jurisdictions further afield. By producing concentrates which are suitable for European smelters, Adriatic contributes positively to the decarbonisation of European supply chains whilst also looking to reduce the energy intensity profile of its product.

In concert with this regulatory reporting disclosure, Adriatic will publish its maiden Sustainability Report for 2022 which will provide further detail on the strategy to become a Net Zero mine, in addition to current sustainability performance.

Adriatic's sustainability commitments are integral to its operational functions. The Company has clear commitments to hiring local employees, wherever possible, and providing professional development, including education and training for all staff. Active leadership is advancing the workplace participation of women in the mining sector and Adriatic can be proud that its female workforce has grown to over 29% of total employees, against an industry average of 15%. As the operational risk profile has increased in line with the construction activity, the Company has strengthened its occupational health and safety systems, ramped up safety training, expanded the safety team and integrated health and safety into the

On the cusp of production

operational culture. We want all of our employees to return to their families fit, healthy and happy at the end of each day.

The positive socio-economic and environmental impacts of operations are underpinned by the Community and Biodiversity Action Plans. Working with businesses and entrepreneurs in the region, Adriatic is building both capability and capacity in local supply chains and forging links with academic institutions to sponsor mining sector qualifications and support the future recruitment of skilled nationals. Over the life of the mining operations, the Company is targeting a net gain in biodiversity, driven by clear strategies related to climate action, water management, waste materials control including tailings management and reforestation.

Adriatic's funding for the independently governed Adriatic Foundation will support legacy-focused investment into key areas of environment, education and health that will fund initiatives that are decided by the community, for the benefit of the community.

Shareholders

I would like to thank our shareholders for their continued support. We recognise that 2022 and 2023 are our peak years of investment and we thank our debt, equity and streaming partner, Orion Mine Finance, for its continued commitment and assistance. The Vares Project is financed to the delivery of first concentrate in 2023 and whilst the Company is targeting the commencement of shareholder returns from 2024, we look forward to rewarding investors for many years to come. In October 2022, Adriatic hosted a capital markets site visit that welcomed over 30 investors and analysts to Vares. Attendees commented how impressed they were with the development of the Project and the progress made by the management team. This sentiment was reflected in positive equity research notes and in 2022 the share price increased by 29% on the ASX (30% on the LSE).

Board of directors and management

Adriatic continued to strengthen the management throughout the year with key appointments to the operations and project delivery teams. The leadership and commitment of our Managing Director and Chief Executive Officer, Paul Cronin, who has again been based in Bosnia and Herzegovina throughout the past year, has ensured the Project is being delivered in a first-class manner. The remarkable progress at Vares is down to not only the dedication of Paul but the whole team and we look forward to this momentum continuing through 2023. The team has also built important relationships with the Government of Bosnia and Herzegovina. In October 2022, there was a national election and despite political changes, the new coalition government has signed an innovative power sharing agreement that opens a new dimension of behaviour in political culture and supports Bosnia and Herzegovina's European Union candidacy and accession roadmap. In this context, Adriatic's leadership have worked tirelessly to ensure that local authorities are fully informed of developments and secure the Project's continued progress.

Whilst there were no changes to the Board of Directors in 2022, we welcomed the addition of experienced mining executive Mike Norris to the management team as the Company´s Chief Financial Officer. With 30 years of commercial and operational experience in the mining industry, Mike has been instrumental in bringing the finance team in line with international best practice.

Corporate governance

The Board is committed to strong corporate governance and the continued application of the Corporate Governance Code principles of the Quoted Company Alliance, of which the Company is a member. The Board continues to align the skills and experience of the Directors and management with the needs of Adriatic's business model and strategy as it delivers on its objectives.

Outlook

As a result of the outstanding progress made in the last few years, the Company remains on track to achieve its ambition of first ore production in Q3 2023. Such achievements are even more creditable given the challenging operating environment. I am particularly proud that the team has delivered these goals the right way – with integrity, good humour and utmost respect for the communities and other stakeholders that host us in country.

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 tremendous achievements. I would also like to thank all of our stakeholders for their continued support and commitment through this transformational year. We all look forward to 2023, and the next phase of the Adriatic story, with great excitement as the world class Vares Project comes into production.

Michael Rawlinson
Chairman of the Board

Strategic Report

A scalable model to develop sustainable strategic metals

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Market review

Meeting the resource needs of Europe and beyond

Macro trends and developments

Amid heightened geopolitical tensions and ongoing conflicts, 2022 showed that the security of commodity supply chains has become strategically important. At the same time, deglobalisation and ongoing underinvestment in new projects will provide a challenge to meeting the forecasted increase in demand for critical raw materials.

Compared with previous cycles of high commodity prices, mining companies have been reluctant to bring new supply online by investing in growth projects amid rising capital costs and investor pressure to prioritise shareholder returns.

Looking ahead to 2023, China's decision to relax its zero-Covid policies is expected to strengthen demand for metals. This should offset potential weakness in developed markets that are navigating interest rate hikes from central banks in a bid to bring down inflation. Monetary policy decisions and a potential global recession, as well as China's ability to stimulate its property sector and broader economy, will likely play a central role affecting metal prices this year.

European Union Critical Raw Materials Act

In her September 2022 State of the Union Address, President Ursula von der Leyen announced a European Union Critical Raw Materials Act, to secure the supply of key transition and industrial metals. Critical raw materials are the resources that are both important economically and present a high supply risk. Critical raw materials are crucial in a wide range of industrial ecosystems. They are also key to securing Europe's Net-Zero and digital transitions.

To achieve these transitions, the EU must significantly increase and diversify its critical raw materials supply, strengthen circularity and support research and innovation. The Critical Raw Materials Act was released on 16 March 2023, and it includes targets for exploitation, refinement, recycling and stockpiling of specific strategic and critical raw materials.

The Company is extremely well positioned to take advantage of this shift in European resource strategy through production at its Vares mine and this further underpins the longer term strategy to develop a European focussed multi-asset, mid-tier diversified miner.

"But securing supplies is only a first step. The processing of these metals is just as critical. Today, China controls the global processing industry. Almost 90 % of rare earths and 60% of lithium are processed in China. We will identify strategic projects all along the supply chain, from extraction to refining, from processing to recycling. And we will build up strategic reserves where supply is at risk. This is why today I am announcing a European Critical Raw Materials Act. We know this approach can work. Five years ago, Europe launched the Battery Alliance. And soon, two third of the batteries we need will be produced in Europe. Last year I announced the European Chips Act. And the first chips gigafactory will break ground in the coming months. We now need to replicate this success ."

2022 State of the Union Address
by President Ursula von der Leyen

Market review

Meeting the resource needs of Europe and beyond

Bosnia and Herzegovina and Balkan region

The region is by no means insulated from the global political upheavals of 2022, but unlike many parts of the world, the Balkans has become more stable because of both the war in Ukraine and the European Union's ("EU") acknowledgement of future resource criticality. State level elections in 2022 returned both President Alexander Vucic in Serbia and Prime Minister Milorad Dodik in Republika Srpska ("RS"). The isolation of Russia by the Western economies is requiring Serbia to consider deeper European integration and the fast tracking of Bosnia and Herzegovina to EU candidate status will ultimately prevent further secessionist ambitions by RS.

Elections in Bosnia and Herzegovina in October 2022 returned a different coalition government to the Vares' canton of Zenica-Doboj, but from initial engagement with the new political team the Company is confident that the same high level of cooperation and engagement experienced with the last government will remain. Whilst the state government is, at the time of publishing this report, not yet formed (the time being taken being normal for European coalition democracies), it is also expected that there will be no fundamental change to the political landscape, other than the positive moves towards European integration that come with EU candidate status.

International metals market

Forecasters see high metal prices in 2023, even in the face of recessionary fears, due to a combination of very tight inventory levels and continued supply issues across key jurisdictions and operations.

Physical inventories of zinc in particular are at historically low levels following shutdowns of key zinc smelting plants in Europe by Glencore (Nordenham) and Nyrstar (Auby and Budel) due to the high costs of energy resulting from the Russian-Ukrainian war. Metal premiums in Europe have remained above $500 per metric tonne ("mt") as metal has become more difficult to procure. Current constraints on raw material supplies from South America (where there is widespread political and social upheaval) have additionally exacerbated raw material supply fragility, helping to firm up both zinc and lead metal prices at the end of 2022, as supply chain disruptions peaked.

Subsequently prices have receded, but with the recovery in China beginning to gain momentum, as the government stimulates the economy to regenerate growth, prices can be expected to resume their steady upward trajectory.

Silver demand is widely expected to increase to all-time highs in 2023, with the longer term case bolstered by silver's role in the energy transition and electronics, with usage in solar photovoltaics and electric vehicles showing strong future growth.

Metals applications

Zinc is mainly used for galvanising iron and steel against corrosion (50%), as well as die cast parts and brass. For the most part, galvanised steel and die cast parts are used to manufacture automobiles, and for steel structures and roofing in construction. Other uses include the manufacture of zinc oxide for vulcanising rubber and the use in cosmetics. In addition, there is significant interest in zinc for the manufacturing of stationary storage batteries (zinc-bromide chemistry) for renewable energy sources, as they represent a cheaper alternative to lithium ion.

Lead is predominately used in the manufacturing of Lead Acid Batteries ("LABs") for the most part used in automobiles. LABs will still be needed in electric vehicles ("EVs") for high-powered applications, such as start-up, for which a Li-ion battery is unsuitable. Other uses of lead are in roofing, pigments, ammunition, cable sheathing, weights, ceramics, solders, alloys and radiation protection.

Silver has many applications; it is used in the automobile industry to silver coat electrical contacts (particularly crucial to EVs high-speed charging infrastructure), and in silver membrane switches. Silver is used in photovoltaic cells, which are in ever greater demand as the world transitions to renewable energy. Silver is also used in electronics, soldering and brazing, high temperature ball bearings, medicine and water purification, as well as a function as a precious metal, particularly popular in the Asian sub-continent and the Middle East.

Commodity price volatility

In the last five years, prices have varied substantially. Zinc has risen from a low of $1,815 in March 2020 (at the beginning of the pandemic) to a high of $4,499 in April 2022, but averaged over the period at $2,829 per mt. Lead reached a low of $1,585 in March 2020, rising to a high of $2,497 in March 2022, averaging $2,049 over the period. Silver reached a low of $11.981 in March 2020 before rallying to a high of $29.12 in August of that year and averaging $21.26 over the period. Gold reached a low of $1,270.69 in May 2019 and rallied to a high of $2,063.54 in August 2020 whilst averaging $1,720.67 over the period.

It is likely that there will be continued volatility on a forward-looking basis, but that average prices will still be consistently strong compared with historic averages as the world continues its gradual recovery from the Covid-19 pandemic and the eventual ending of the Russian-Ukrainian war (with consequent rebuild of infrastructure).

Refining/smelting demand and shutdowns

With smelter shutdowns occurring across the industry, smelting capacity has become a bottleneck for metal supply. Analysts see continued constraints through 2023, despite energy prices softening globally from recent highs.

Trafigura's Auby zinc smelter in France (165ktpa) and Budel zinc smelter in the Netherlands (290ktpa) were put on care and maintenance in 2022. Glencore's Portovesme zinc smelter in Italy (100ktpa) remains on care and maintenance since 2021 and the Nordenham zinc smelter in Germany (180ktpa) was idled in 2022.

Offtakers

Contracts have been executed for the majority of Adriatic's first years of concentrate production. The zinc concentrate is committed to Trafigura, Boliden and Transamine and the silver/lead concentrate to Transamine and Glencore. The Company has retained the ability to market a small percentage of its annual production directly, at what has historically been advantageous spot terms.

Shipping

Shipping rates for dry bulk materials have reduced considerably as world trade supply routing disruptions have lessened following the opening up of China and the resolution of its Australian trade dispute. As trade begins to rise in the post-recessionary period for many of the major global economies, economists have predicted that ship building will increase and therefore rates will remain low. Adriatic will be working to align the Company more closely its customers' shipping requirements to optimise the shipment scheduling ahead of production.

Our Business model

Generating positive stakeholder outcomes

Adriatic believes that economic development should underpin the prosperity and well-being of stakeholders at both local and national level.

From inception, Adriatic has been committed to driving a culture that places host communities at the centre of the Company's objectives. Demonstrating these embedded values and principles, the development and production of mineral resources have the potential to deliver long term value for all shareholders and stakeholders.

Development cycle

Portfolio Development

Targeting Pan-European, value accretive assets to diversify the portfolio

Asset Development

Continued exploration to add ore reserves to existing Vares concession

Operational Development

Construction, production, workforce development and high operational standards

Sustainable Development

Reducing our environmental impact whilst increasing our positive social impacts

Restoration Development

Rehabilitation to ensure that biodiversity impacts are more than replaced

Resources and Relationships

Leadership expertise

- Strong ethics and clear policies
- Robust governance framework
- Experienced in-country team

Strong financial position

- Ample financing capacity to complete development and commence production
- Strong cash flow projections
- Stable balance sheet

High grade deposits

- Premium products can drive a higher valuation
- Quality source material can lower processing costs and environmental impacts meeting supply chain requirements

Supportive community

- Historic mining region with strong links to industry
- Existing industrial infrastructure
- Stable geo-political environment

Local capability and capacity

- A source of committed employees
- Established supply chain partnerships

Sustainable development goals

Sustainable communities

Realising the commercial and environmentally sustainable development of critical raw materials

Industry innovation and infrastructure

Driving highly technical and remunerated roles and skills development for local workforce

Responsible consumption and development

Developing local renewable sources of energy as primary resource can minimise the carbon profile of the mine

Decent work and economic growth

Generating a significant increase in local tax revenues through royalties, concession fees, local employment and procurement

* With Norwegian energy supplier

CEO Statement

A year of significant progress

Paul Cronin
Managing Director and Chief Executive Officer

"I am very pleased to update you on what has been a very successful year. The Vares Project is a world class asset and I am delighted that over the last twelve months great progress has been made towards building Europe's next Tier 1 mine"

Market

Adriatic is well placed to deliver critical metals and resource efficiency to a receptive European market that has changed dramatically over the last few years. Shaped by geopolitical instability, economic uncertainty, the continuing coronavirus pandemic and the biggest war in Europe since World War II, supply chain disruptions have driven "deglobalisation" agendas and "resource fragility", especially in raw materials. These agendas have been further challenged by the resource efficiency requirements of The European Green Deal.

Within our diversified metals base, silver will account for around a third of our projected revenues. Silver's application to electric vehicle charging infrastructure and photovoltaics position this metal as a key component in global energy security and climate change transition strategies, ensuring strong demand for years to come. Through sustainable and responsible mining, the Vares Project will supply low-cost strategic metals that will increase European resource self-sufficiency, whilst further serving the decarbonisation agenda through reduced energy intensity rates and shortened logistics requirements.

Project development

We have achieved excellent operational progress in the development of the Vares Project in Bosnia and Herzegovina. As of the date of this statement, the Company is over 70% through construction of the Rupice Mine and on track to reach ore in Q2 2023. The build of the Vares Processing Plant is well underway, and we are taking on all the necessary items for the main infrastructure, including construction of the filtration area and metallurgical laboratory. The staggered development of the haul road has progressed well; Lots 1, 2 & 5 are approaching completion and Lots 3 & 4 are to be completed in Q2 2023. The logistics agreements that will connect our operations with the Bosnia and Herzegovina state railway and the port at Ploce have been, or are soon to be, executed. With the delivery of major components progressing, we are confident of commissioning the Vares Processing Plant in Q3 2023.

Over the course of the year, our headcount increased significantly to 192 direct employees and 138 contractors, as at 31 December 2022. To take us through the next few critical months and into production, we made some specialist appointments in exploration, mining operations, mine geology, metallurgical processing and engineering. Our recently launched Employee Engagement Survey allows us to continually assess our cultural performance and identify areas where work can be more fulfilling, leading to greater productivity.

Cost control

We are extremely satisfied with our operational advances, given the especially challenging economic and operating environment. High inflation, increasing interest rates, and disrupted supply chains have led to difficulty in sourcing critical long lead-time items. The Vares Project budget has increased 9% from $168m to $183m since the Definitive Feasibility Study ("DFS") was published in 2021 but the budget remains within contingency. This increase in cost is mainly due to additional infrastructure and earthworks required, additional plant equipment, that will bring long term benefits to the Project, and inflationary pressures exacerbated by recent foreign exchange movements due to the depreciation of the US dollar. The Project is also expected to deliver first concentrate production in Q3 2023, only a few months behind the original schedule as foreseen at the completion of the DFS. This has been a solid result during a very challenging time for industry and construction. A benefit of the Vares Project is that it is conveniently located close to supportive infrastructure, and by paying close attention to costs at all levels we have been able to source concrete, steel, and other key components locally. Bosnia and Herzegovina is also fortunate to have one of the lowest national power costs globally. I would like to recognise the management team for their hard work and dedication to delivering the Project during these times of uncertainty.

Exploration

During the year, we achieved further success with our exploration programme. I am delighted with the drilling results we have achieved over the past twelve months, both at the Rupice main ore body and at the new mineralised zone discovered at Rupice NW. As all holes have intercepted mineable thicknesses of massive and semi-massive sulphides, we believe Rupice NW will add significant mine life to the Project and demonstrate Tier 1 asset credentials, with increasing potential for twenty years of profitable production. An updated Mineral Resource Estimate is planned in 2023 once existing areas of defined mineralisation are closed-off and the scale of the mineralised system within Adriatic's tenement holdings has been fully realised.

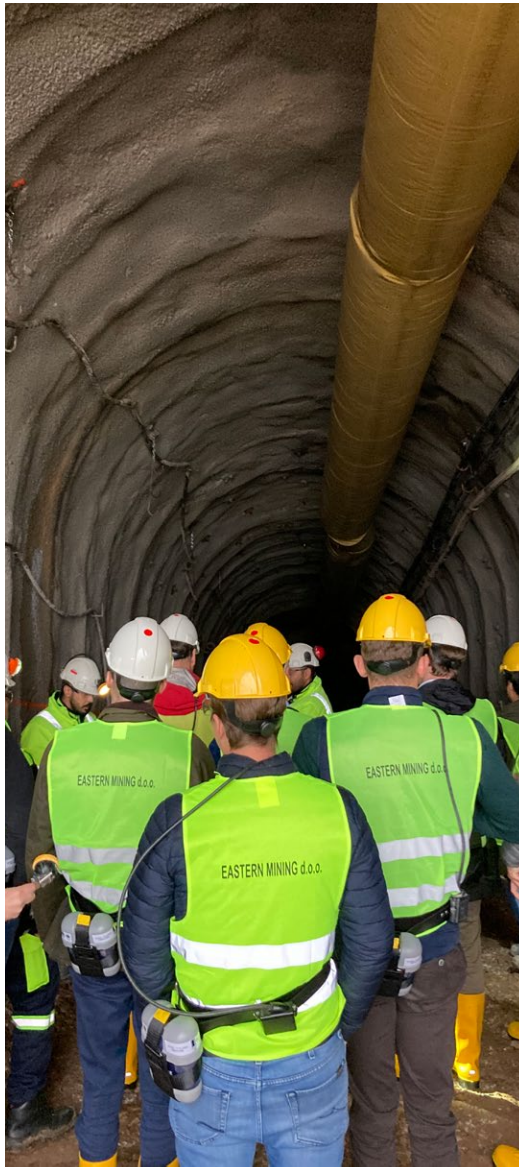
As the Company focuses on the Vares Project construction and exploration, there will be limited resources available for exploration in Serbia in the coming year. We therefore plan to develop the Raska Project over a longer horizon, including advancing new prospects in our tenement area during 2023 to complement Kizevak and Sastavci. We remain positive about the future prospects for Raska, however due to the longer development horizon envisaged, it is appropriate to recognise a non-cash partial impairment of $23.2m against the Raska Project, bringing the carrying value to $8.5m.

Offtake agreements

Given the fragility in resource supply chains, it is extremely gratifying to have completed offtake agreements for our future concentrate production. Our partners are leading international commodity smelters and traders: Boliden, Trafigura, Glencore and Transamine. We are particularly pleased with the significance of our agreement with Boliden – Adriatic is the first development mining company to secure such an offtake partnership. Boliden have integrated ambitious low-carbon principles into their supply chain criteria and this agreement recognises the sustainability profile of our Company.

CEO Statement

A year of significant progress



Sustainability

Our objective has been not just to build a mine but to build a legacy. As we progress towards the generation of production revenues, we are starting to lay the foundations required for long term success and consistent stakeholder return.

The most important development has been establishment of our Health & Safety Management System. As our risk profile has increased through construction, our focus has been on zero-harm and the protection of all our employees and contractors. We have worked intensively to embed an enhanced safety culture with continual improvement. Our health and safety framework includes policies, procedures, training and company standards that go above and beyond compliance.

Accordingly, we saw a continued year-on-year improvement in our headline safety performance. Adriatic recorded no Lost Time Injuries ("LTI") in Q4 2022. The lost time injury frequency rate ("LTIFR") for 2022 as a whole was 1.03 per 200,000 hours worked, representing an 80% improvement over the previous year.

The Vares Project workforce represents an affirmative decision to hire young graduates and train them with the necessary skillsets required. The average age of our employees is approximately 27 and therefore we need substantial programmes of vocational education to support our high-quality operations. We believe that every member of our staff has the right to job security and professional development is an essential commitment to our employees careers. Our training programmes have included English language courses, driving skills, safe working practices, higher education opportunities, environmental and social principles and personal development plans. We remunerate staff fairly and offer a number of benefits, including private health care for our employees and their families.

We are formally committed to the fundamental objective of responsible stewardship and embedding sustainable practices into all our activities through our Environmental and Social Management System. Whilst the construction of the mining operation has involved planned environmental impacts, we carry out continual inspections that include soil and water monitoring. Adriatic also has a clear strategy for the management of natural resources, waste processing, including tailings management, and biodiversity regeneration. Working with and for the community, we understand the role that preservation plays in maintaining our social licence to operate.

In addition to our mandatory reporting of Greenhouse Gases - and in line with our climate risk strategy - we are developing calculations and predictions for the imminent production phase to include total emissions and emissions intensity per tonne of concentrate produced. We are also preparing the Life Cycle Assessment that quantifies natural resource consumption and pollutant emissions, and this is expected to be completed in July 2023. To support our lower-carbon commitments', we are developing a Net Zero strategy which will determine the location of sites suitable for renewable energy projects, underpinned by a signed MoU with Norwegian renewable energy supplier, Emergy, for cooperation on the development of a 30 MW solar facility for direct supply to the Vares Processing Plant.

In addition to building the mining operations, it is important that we also create sustainable socio-economic benefits for the communities around the Project. Our Community Development Plan has formalised our local investment approach, through targeted activities of local need, alongside regular communication with community representatives via the establishment of a Public Liaison Committee ("PLC").

The established Adriatic Foundation also identifies and invests in community driven initiatives that target education, health and the environment outcomes. This independently governed body, seed funded and part-maintained by a percentage of production revenue from Adriatic, will help attract further investment into projects that can help drive an economic renaissance in Bosnia and Herzegovina.

Stakeholders

The multi-disciplinary execution of the Vares Project accomplishes one of the fastest rates of development for any junior mining company – from discovery to construction in less than five years. This achievement is due in great part to the support we have enjoyed from the Government and Ministries in Bosnia and Herzegovina. The Vares Project will not only be Europe's next operating mine, but it will be one of the first new mining projects to be built in Bosnia and Herzegovina for more than a generation. I would like to express my appreciation to all our stakeholders including the Government of Bosnia and Herzegovina, our financiers, our shareholders and our local communities. Without their encouragement, partnership and support this Project would not have been possible.

Over the past year, the rapid developments at Vares have garnered understandable interest from various stakeholders. I personally recognise how imperative it is to have clear and transparent engagement with all of our stakeholders, to ensure the continued understanding of our business. We are constantly communicating with our external partners, especially those in the local community. Our Information Centre in Vares continues to provide updates on our operational activity to local residents and businesses. We are also increasing our marketing activities and investor relations through roadshows and conferences. In October 2022, we hosted a site visit for over 30 analysts, investors and advisors to see the Project for themselves, taking in Rupice, Vares and Sarajevo. We believe such engagement is essential for external stakeholders to have an accurate perception of our strategic delivery, operational progress and future prospects.

The 2022 elections in Bosnia and Herzegovina passed without any disruption in operations and the Company continues to forge strong relationships with elected officials at all levels. Bosnia and Herzegovina's fast track to EU candidacy promises to further open the country to the stabilising forces of commerce.

CEO Statement

A year of significant progress

Finances

The final Project cost estimate is $183m, including contingency of $10m. As of 15 March 2023, a total of 84% of capital expenditure excluding contingency is awarded, pending award, or recently quoted. Of the 16% of pricing that is not yet confirmed, approximately half relates to purchases and works to be performed by local contractors in Bosnia, which includes the remaining haul road construction and Rupice earthworks.

In December 2022, the Company successfully completed the drawdown on the first tranche of $30m of the Orion Mine Finance ("Orion") $120m senior secured debt ("Senior Secured Debt"), and in February 2023 completed the drawdown of the second $30m tranche as well as the receipt of the $22.5m copper stream deposit. The total project finance debt package from Orion is $142.5m, with the balance of $60m of the Senior Secured Debt remaining available.

The Company's cash balance on 31 December 2022 was $60.6m and the high investment rate of return ("IRR") will see significant debt reduction in 2024 and 2025, targeting a repayment within 12 months of the commencement of nameplate production.

We have also appreciated the international endorsement of EBRD through this development process, as indicated by their £6m investment. This stake has also helped drive our commitments to sustainable performance disclosure, that is a regular part of our continued relationship.

As we progress into production, we look forward to increasing our royalty contributions, in line with our concessionary agreements, that will support essential GDP growth in the region and help fund local services.

Outlook

As Adriatic delivers on its strategy, we look ahead to continued growth and expansion. The Company has clear aspirations to be a leading pan-European operator with a multi-asset focus on projects that align with our strong sustainability principles. We aim to expand our pipeline of projects through opportunistic acquisitions of assets that will create significant shared value.

In conclusion, I would like to extend my gratitude to all our employees for their energy, hard work and perseverance throughout the year. I would also like to thank the Board and our advisors for their counsel and guidance and, most importantly, my thanks to all our local partners for their hospitality and continued support. We have commenced the year with confidence and excitement, and we look forward to delivering on these expectations and unlocking further value through our exploration programme and growth strategy.

Paul Cronin
Managing Director and Chief Executive Officer

Strategy

Focus on project execution

As operations move from development to production Adriatic will evolve priorities and measures of progress. These figures are as at 31 December 2022.

Strategic initiatives for 2022	Remuneration alignment – STIP	Performance		Risks	Priorities for 2023
Progress construction of mine, processing plant and haul road	Vares Project on time Maintain compliance with permits	Vares Project completion **60%**	Decline progress(metres) **410m/ 244m (l/u)**	Delays in equipment delivery due to global supply chain issues leading to additional project costs	Bring Vares Project into production on time and on budget
Manage inflationary pressures to maintain budgetary parameters	Vares Project on budget	DFS projected budget **$168m**	Total current mine cost **$183m**	Increases in material costs due to global inflationary trends and energy shortages	Drive commercial efficiencies in mining and processing
Develop offtake agreements with strategic partners	Vares Project on budget	Major contracts agreed **100%**		Products are too difficult to market and transport costs have a significant negative effect on the Project's financial performance	Commence supply of concentrate to customers
Exploration drilling to extend existing resource	Grow mineral resource base	Infill drilling **8,139m**	Resource base **7.3Mt**	Availability of drilling rigs and equipment Access to key exploration areas and landowner permits	Invest in further exploration
Maintain excellent sustainability performance and set targets	Effective health & safety systems	LTIFR **1.03**	TRIFR **4.10**	Safety issues cause a pause in operations, reputational damage, NGO attention and negative impacts	Implement sustainability plans to drive improved performance
Develop skilled workforce and build capacity in supply chain	Staff satisfaction	Employees **192**	Employee satisfaction **89%**	Ability to recruit and retain key engineering staff, transfer of knowledge, cultural change	Drive capability and capacity amongst employees and suppliers
Maintain strong capital position	Ensure compliance with debt funding	Cash position **$60.6m**	Contingency **$10m**	Delays in equipment delivery due to global supply chain issues Failure to achieve CPs, renewal requirement of Reps and Warranties	Generate near term cash flow and pay down debt

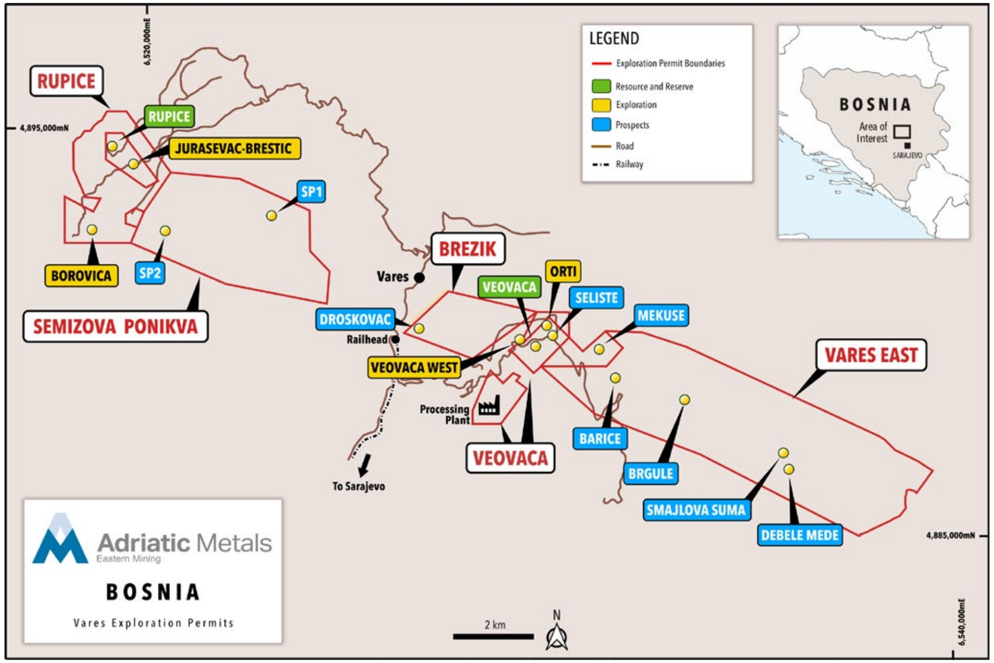
Operations review

Outstanding project economics

The Vares Project, Bosnia and Herzegovina

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

Adriatic, through its wholly owned subsidiary Eastern Mining d.o.o., owns 100% of the 42km^2 Vares Project concession. The concession area includes the Mineral Resource Estimates of Rupice and Veovaca, as well as a number of prospects and exploration targets as outlined in the map below.



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

Adriatic has been conducting exploration activities since 2017, and successfully delineated a maiden Mineral Resource Estimate at Rupice in July 2019. An updated Mineral Resource Estimate was subsequently announced in September 2020. Following the granting of the exploration permit in June 2021, for the additional 32km^2 of concession area, exploration activities during 2022 have covered these new areas of Semizova-Ponikva, Brezik and Vares East, alongside the Rupice NW extension.

Vares Project: key metrics

The results from the 2021 Definitive Feasibility Study indicated high-margin economics, a low up-front capital expenditure and the following characteristics:

High-grade mineral resources with strong potential for exploration upside

The polymetallic underground deposit of Rupice has high grades of silver and zinc, with lead, copper and gold credits. The style of mineralisation has the strong potential to repeat along strike, as well as extend at depth. This suggests further such discoveries will occur across the concession area.

Marketable concentrate grades

The Vares Project has two commercial product streams; a zinc concentrate and a silver-lead concentrate. Over the first 24 months of production, the zinc concentrate will grade at 55-58% zinc, and the silver-lead concentrate will grade at 43-49% lead and on average 2,600g/t silver. Over the current life of mine, the Project will produce 511,496 tonnes of zinc concentrate, and 580,507 tonnes of silver-lead concentrate.

Existing infrastructure in a historical mining district

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

Outstanding project economics

Brownfield processing plant site, Greenfield underground mine

The new Vares Processing Plant has utilised the site of an abandoned processing facility, last used in the late 1980s. The abandoned site, circa 4km from the town of Vares, has been demolished and a new facility constructed alongside the refurbished administrative building that serves as the Company's main office. The Rupice deposit is a greenfield site located 11km from the Vares Processing Plant site.

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

Key Metrics 2021 Definitive Feasibility Study vs 2020 Pre-Feasibility Study

Key metric	Unit	2021 DFS	2020 PFS
Post-tax NPV (8%)[1]	US$m	1,062	1,040
Post-tax Internal Rate of Return[1]	%	134%	113%
Project Payback from First Production[1]	years	0.7	1.2
Initial Capital Costs	US$m	168.2	173.0
Total Mined Tonnes to Plant	Mt	7.3	11.1
Life of Operation	years	10	14
Cash Cost[1,2]	US$/AgEq ounce	7.0	9.5
All-in Sustaining Cost ("AISC") [1,3]	US$/AgEq ounce	7.3	9.7
Average Annual AgEq Production Years 1-5	Moz/year	14,975	15,302
Underground Mining Costs (mined)	US$/t mined	24.1	27.6
Underground Mining Costs (milled)	US$/t milled	30.0	31.9
Processing Costs	US$/t milled	30.3	31.5
G&A Costs	US$/t milled	7.7	4.8
Refining & Freight Costs	US$/t milled	35.7	52.1
Revenue[1]	US$/t milled	376.9	296.3
Average Annual EBITDA Years 1-5[1]	US$m	281.1	251.0
Profitability Index[1]	(Post-Tax NPV_8/ CAPEX)	6.3	6.0

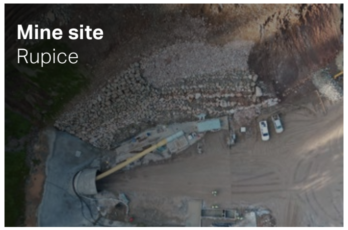
1. Silver price US$25/oz, zinc price US$3,000/t, lead price US$2,300/t, copper price US$9,500/t, gold price US$1,800/oz, antimony price US$2,300/t.
2. Cash costs are inclusive of mining costs (US$/t milled), processing costs, site G&A, refining & freight and concession fees (3.90 BAM per Mt of Run of Mine).
3. AISC are inclusive of cash costs plus sustaining capital, closure cost, salvage value.

Key stages of project development

2022 was yet another transformative year. Adriatic moved through the construction phases of the Vares Project, continued exploration activities, and extended the concession area boundaries along-strike to broaden the strategic land package.

Vares Project development timeline:

Activity	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Construction decision / development	●							
Order long lead mechanical equipment items	●	●	●					
Underground decline development at Rupice		●	●	●	●	●	○	
Vares Processing Plant site construction		●	●	●	●	●	○	
Haul road construction			●	●	●	●	○	
Underground development of orebody/stoping						●	○	
Commence plant commissioning							○	○
First production / export								○



The stockpile pad excavation is nearly complete and the backfill pad construction is close to completion.

Further geotechnical drilling for the backfill pad is also fully completed.

Lower and upper decline development including auxiliary development and the commissioning of underground water sumps is underway.

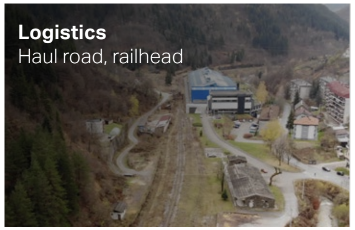
The installation of the Vares Processing Plant buildings is progressing well with all buildings on schedule for completion at the end of Q2 2023.

A tender is underway for the building construction of the assay and metallurgical laboratory.

Laboratory management have also been appointed.

Diesel generators have been installed and are fully operational providing power to Rupice during mine development until the 35kV buried cable grid connection is completed in Q2 2023.

The mining contractor workshop has been commissioned to encourage greater efficiency and safer operations onsite.

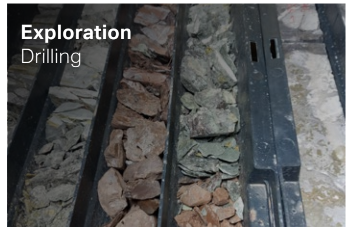


The 24.5km haul road development remains on target to connect Rupice and Vares ahead of first ore delivery requirements in Q3 2023. The haul road is split into 5"Lots", allowing for simultaneous construction by multiple civil works contractors.

The detailed engineering plan of the Vares Majdan railhead facilities is underway with construction to commence in Q2 2023.

Offtake contracts have been executed with Boliden, Glencore, Trafigura and Transamine.

Focus is now shifting to the logistics component of the offtake, with the Company interviewing shipping brokers and forwarding agents. A technical review of the port of Ploce's facilities was conducted in December 2022 ahead of first exports in 2023.



The Company continues to progress infill drilling of the Rupice Mineral Resource Estimate in parallel with continued expansion and infill of the Rupice NW discovery.

2022 has seen significant success across each programme, resulting in the clear potential to extend mine life and optimise the mine plan, ahead of first production in Q3 2023.

Rupice mine site

Commencing ore mining in summer 2023

Rupice underground mine

Rupice Surface Infrastructure works have advanced significantly over the past few months

Operations review

Rupice mine site

The Rupice Underground Mine design indicates the location of the planned declines, ramps, levels and stopes at Rupice. The design includes an illustration of the:

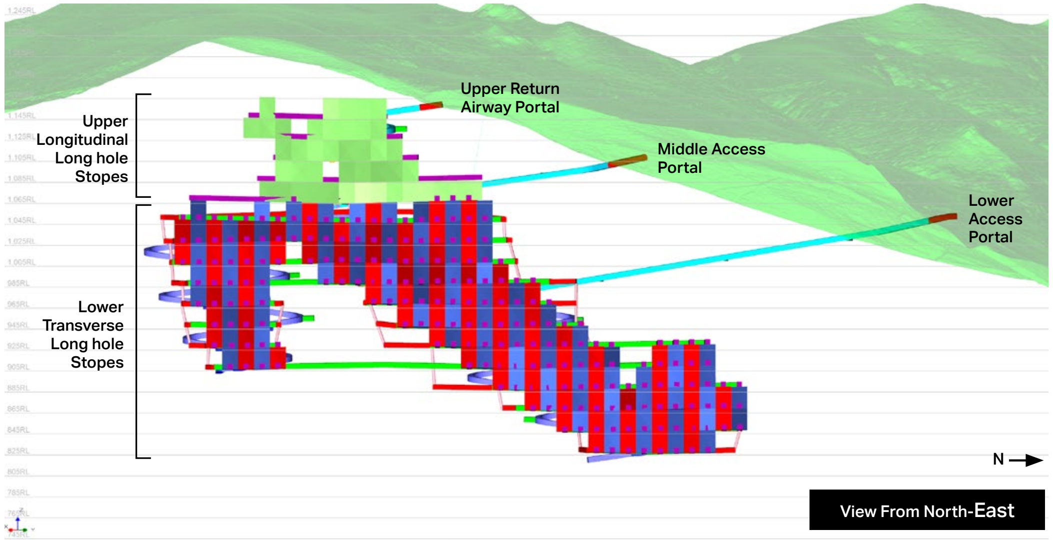
access and ventilation portal areas (shown in red in diagram below);

main declines (light blue);

trackless ramps (light purple) sub-level access drive (green); and

the sub-level footwall drives (green).

The mineral recovery for Rupice is projected to be 95%, with an average underground dilution factor of 13%. The Net Smelter Royalty ("NSR") calculations have been carried out and incorporated into the block model, providing the basis for determination of ore and waste classification.



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

Mine construction

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

Following the installation of appropriate portal support systems, the declines have been developed with dimensions of 5.5m wide x 5.5m high. The lower decline will serve as the main ingress route into the mine while the upper decline will serve as the main egress, allowing for a dedicated flow of traffic in one direction to increase the efficiency of hauling operations. The additional benefit of the lower decline is that it enables rapid access to a high-grade zone of the orebody early in the mine life.

The remaining ramps going up and down from the different underground access positions are all developed at the 1:7 inclination. All decline ramps have been positioned to minimise the development required to access the initial high-grade stoping areas and to provide the shortest distances to the centre of mass, of each of the major stoping areas.

Secondary development will consist of level access drives that connect the ramps with the footwall drives on each sub-level. The footwall drives are designed with a minimum stand-off of 25m from the orebody and will have dimensions of 5.0m wide x 5.0m high. The transverse stopes will be accessed along horizontal cross-cut drives leading from the footwall drive at dimensions of 5.0m wide x 5.0m high and developed at right angles to the strike of the deposit.

Adriatic's Resource Estimate model will be updated in 2023, and mine planning will be re-evaluated based on the latest information. The following items will be reviewed to reduce costs, and improve mining rates:

1. Investigate use of single ramp to access ore; current design has two ramps
2. Review 20m drive level spacing; 25m spacing will reduce the number of levels required
3. Review requirement for dedicated ventilation drive; use of alternative ventilation methods will eliminate need for dedicated ventilation decline
4. Geotechnical review of stope dimensions and footwall drive stand-off distances
5. Optimising schedule to allow in mine blending (see below).

Development Completed

Development started on the lower decline in June 2022, for a total of 343m. Development on the upper decline started in August 2022, for a total of 224m. Total development in 2022, including auxiliary development (sumps and stockpiles), is 654 m.

Although there was limited geotechnical drilling ahead of the declines, ground conditions have been as expected. Assessment of each development round is carried out by the geology team and appropriate ground support is installed.

Blending

Blending will be critical to optimising concentrate grades. By opening multiple stopes of varying grade underground, minimal blending on the run-of-mine ("ROM") stockpile will be required. Blending exercises have been completed on the current mine plan proving the ability to blend through stope sequencing.

The ore will be recovered from the ROM stockpiles by front-end loader, which will discharge into the primary crusher so that final blending effectively takes place in the crushing plant at Rupice. The crushed ore is deposited onto a stockpile before being reloaded onto on-highway trucks for haulage to the Vares Processing Plant.

Rupice Infrastructure

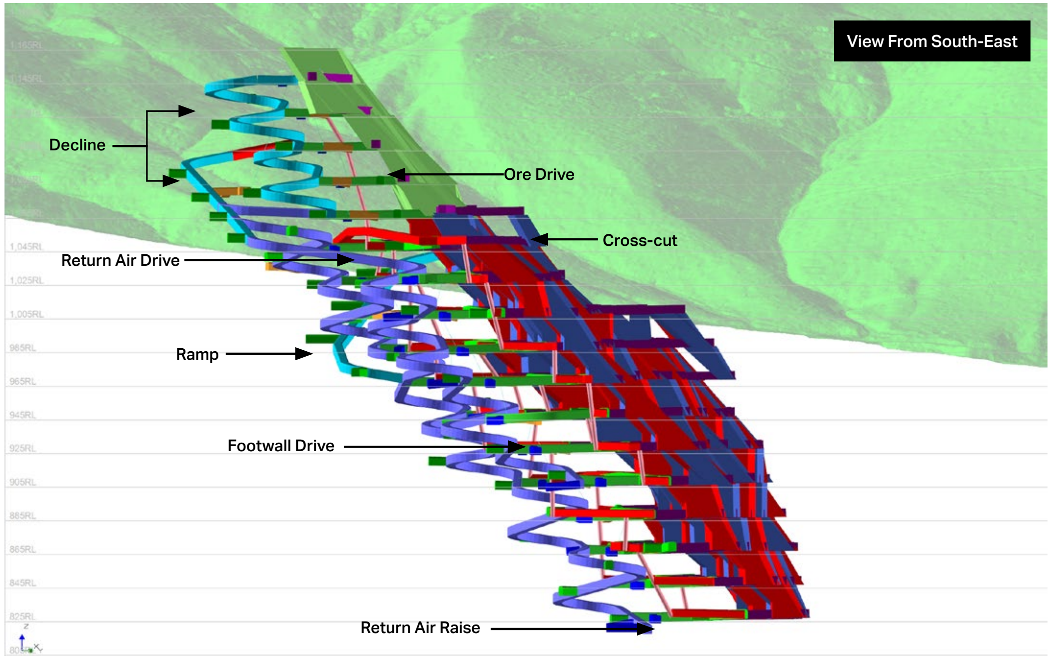
Earthworks at Rupice are progressing well and to date approximately 65% of earthworks have been completed. The stockpile pad excavation is 51% complete and the backfill pad construction is 85% complete.

The installation of the Vares Majdan – Rupice 35kV buried power line and communications cable has commenced with 1km of cable complete. All the construction permits for the power line have been granted. The construction of the main transformer station at Rupice has commenced.

The water treatment plant is complete and the water supply pipeline from Mrestilište to Rupice was also completed in February 2023.

Operations review

Rupice mine site



Rupice Underground Mine design (view from the southeast)

Ramp Up

The agreement with the mining contractor Nova Mining & Construction d.o.o ("Nova") was signed in June 2022. Mobilisation of equipment started immediately and, as of the end of December 2022, the following equipment was on site:

Purpose	Type	Number
Load & Haul	17t Loader	2
	14t Loader	1
	45t Truck	4
Development	Jumbo	3
	Boltec	2

Purpose	Type	Number
Ground Support	Spraymec	2
	Mixer	3
	Carmix	1
Auxiliary	Excavator	2
	Lube Truck	1
	Manitou	2

Manning numbers have also increased at Rupice and, as of December 2022, all key personnel were on site to support operations. Nova have procured all necessary equipment for production activities and continue to increase staffing levels, with 138 employees as at 31 December 2022.

To assist operations further, temporary facilities have been constructed. These include offices, changing rooms for Nova and Eastern Mining staff, an emergency clinic, workshop and laydown areas for consumables.

Mining Production Rate

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

Stope development of the Rupice Underground Mine will start three months prior to commissioning of the Vares Processing Plant. This will ensure sufficient ore is available in the surface stockpiles for consistent and optimal grade of feed to the Vares Processing Plant during commissioning and ramp-up. This provides versatility and reduced risk during commissioning and early operations. As operations ramp up, the commissioning will commence on lower grade ore. Thereafter, it will be possible to increase the feed grade of the ore as confidence builds with the processing and plant operating stability is achieved. When commissioning commences there will be approximately 130,000 tonnes of ore on the stockpile – about two to three months of ramp-up capacity. During the life of mine sufficient ore is produced to maintain the Vares Processing Plant production rate, with excess lower-grade ore being stockpiled for treatment later in the mine life.

Mining Method

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

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

1. Transverse Longhole Open Stoping zone ("TLOS")
2. Longitudinal Longhole Open Stoping zone ("LLOS")

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

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

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

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

Operations review

Vares Processing Plant

Improved operability of Brownfield site

Steel construction

The steel construction for the flotation building has been installed and 100% of the steel for the grinding building has been installed

Operations review

Vares Processing Plant

The Vares Processing Plant is located on a brownfield site. The historic surface infrastructure has already been demolished, except for the administration building and the historical tailings thickener and other smaller thickeners, some of which will be repurposed for future use. Inspections have confirmed that one of the smaller thickeners is suitable to be re-used as the process water tank.

The former tailings thickener will become the base of the coarse ore stockpile. The administration building has been in use as the Company's offices since 2020. As part of further material regeneration, the old foundations were also demolished to be used as road building material and other fill material, with the reinforcing steel being sold as scrap metal. New concrete foundations will be constructed for the new processing facility.

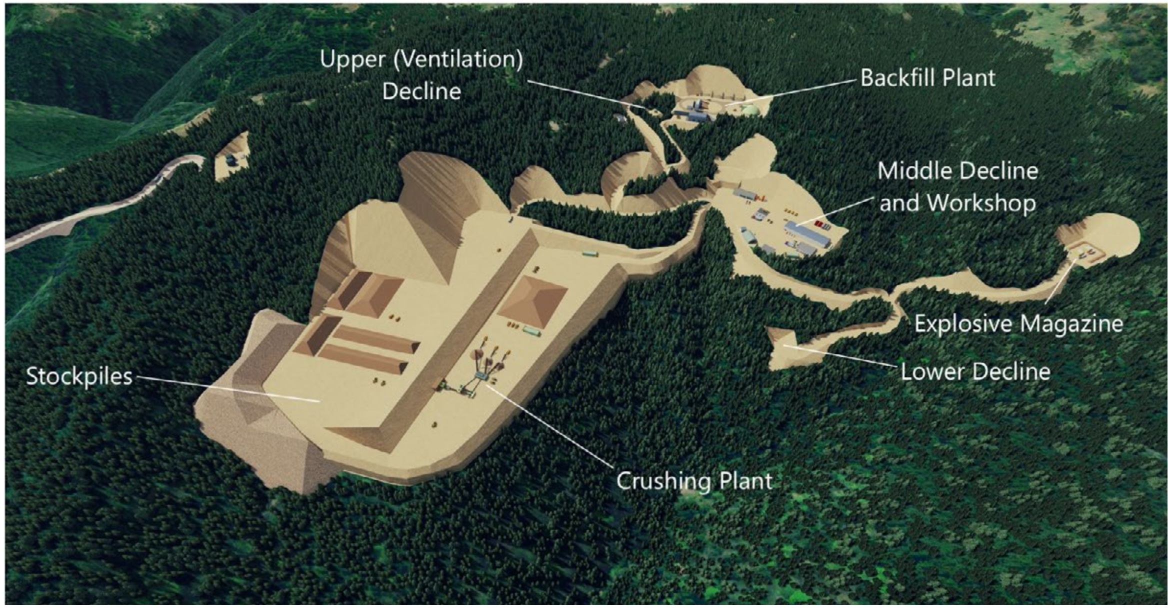
The main structures of the Vares Processing Plant are under construction and all buildings remain on schedule for completion by Q2 2023. 75% of the roof panels have been installed on the flotation building and 100% of the roof panels have been installed for the grinding building. Wall panel installation on the flotation and grinding buildings is ongoing. Concrete foundations for the filtration area are 70% complete and the main concrete columns have been erected, with anchors and base plates now in place.

The overhead cranes for the grinding and the flotation buildings have been installed. Contracts for the filtration and workshop overhead cranes have been awarded and are being manufactured. The building of the shell for the control room is also at manufacturing stage.

The agreement for equipment foundations supply and installation was awarded and signed in December 2022, and construction started in January 2023. The mill base foundation is in progress and in the flotation building and the excavation of the flotation cells foundations, is underway. The Vares Processing Plant structural steel supply, manufacture and installation contract has also been awarded.

The Vares Processing Plant underground services (potable process, fire water and drainage) are approximately 60% complete, with completion scheduled for April 2023. Whilst expediting the delivery of key equipment is ongoing, the mill sole plates, main two transformers and shotcrete equipment have been received into the warehouse in Vares.

In Q4 2022, an internal technical review of the process flow sheet was undertaken by Ausenco Metallurgical Group. In order to maximise the returns of the Project once in production, the Company decided to install two Jameson flotation cells. Based on comparable fine grinding flotation plants, these cells should effectively maintain concentrate grade and lead to improved recoveries, for a small additional investment, which is to be funded out of the existing debt facility.



Schematic of Rupice site

Schematic of the Vares Processing Plant

Vares Processing Plant

Crushed Coarse Ore Handling

Crushed ore will be trucked 24.5km from the Rupice Surface Infrastructure site to the Vares Processing Plant and end-dumped into a crushed ore hopper with a capacity of 37.5 tonnes. The crushed ore will be fed by a belt feeder to a belt conveyor. The belt conveyor will transport the crushed ore to a conical stockpile contained under a dome, providing a live residence time of 23 hours and a corresponding capacity of 2,260 tonnes of ore on a dry basis. Ore will be reclaimed from the stockpile by belt feeders and discharged to the ball mill feed conveyor.

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

Grinding

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

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

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

Flotation

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

Silver-Lead Flotation

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

Silver-Lead Rougher Flotation

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

Silver-Lead Regrind Circuit

The regrind circuit consists of a cyclone cluster and stirred horizontal regrind mill operating in an open circuit. Slurry from the surge tank will be pumped to the cyclones to densify the feed to the regrind mill. The overflow will target an 80% passing product size of 10µm. The cyclone overflow reports to the silver-lead cleaner circuit, while the underflow flows by gravity to the regrind mill. The regrind mill uses ceramic media with a 2-3mm diameter and mill discharge will report to the Jameson flotation cell, where the concentrate can either go to the cleaner cells or directly to the concentrate filter feed tank. The Jameson cell tails will report to the silver-lead cleaner circuit.

Silver-Lead Cleaner Flotation

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

Zinc Flotation

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

Zinc Rougher Flotation

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

Zinc Regrind Circuit

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

Zinc Cleaner Flotation

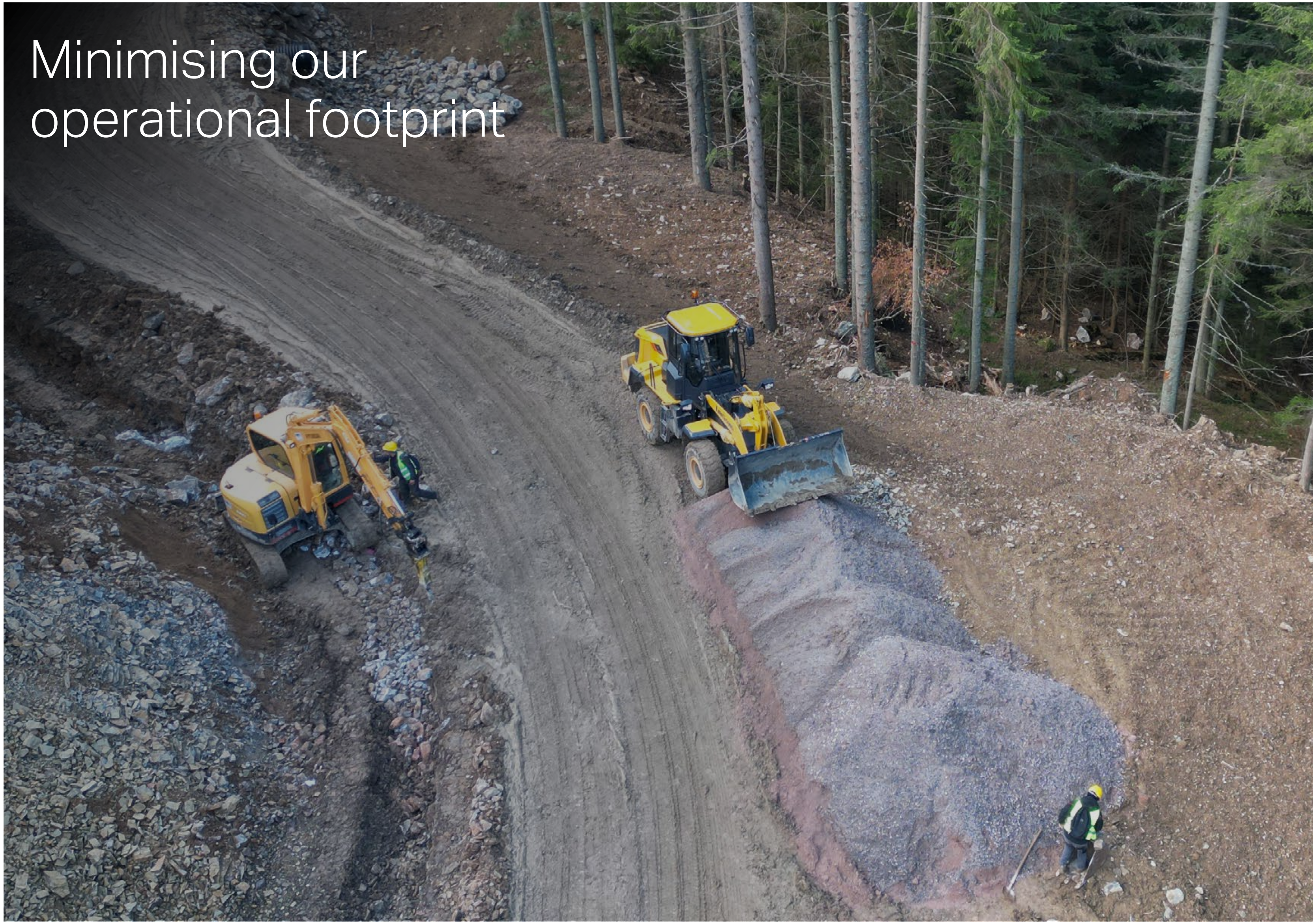
The zinc cleaner circuit consists of three sequential stages of cleaning. The flotation concentrates flow from the first stage through to the third and concentrate from the third stage reports to the zinc concentrate thickener. The tailings flow counter-current to the concentrate, and tailings from the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

Concentrate Handling

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

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

Haul road



Minimising our operational footprint

Existing road

Haul road development remains on target to connect Rupice and Vares ahead of first ore delivery requirements in Q3 2023

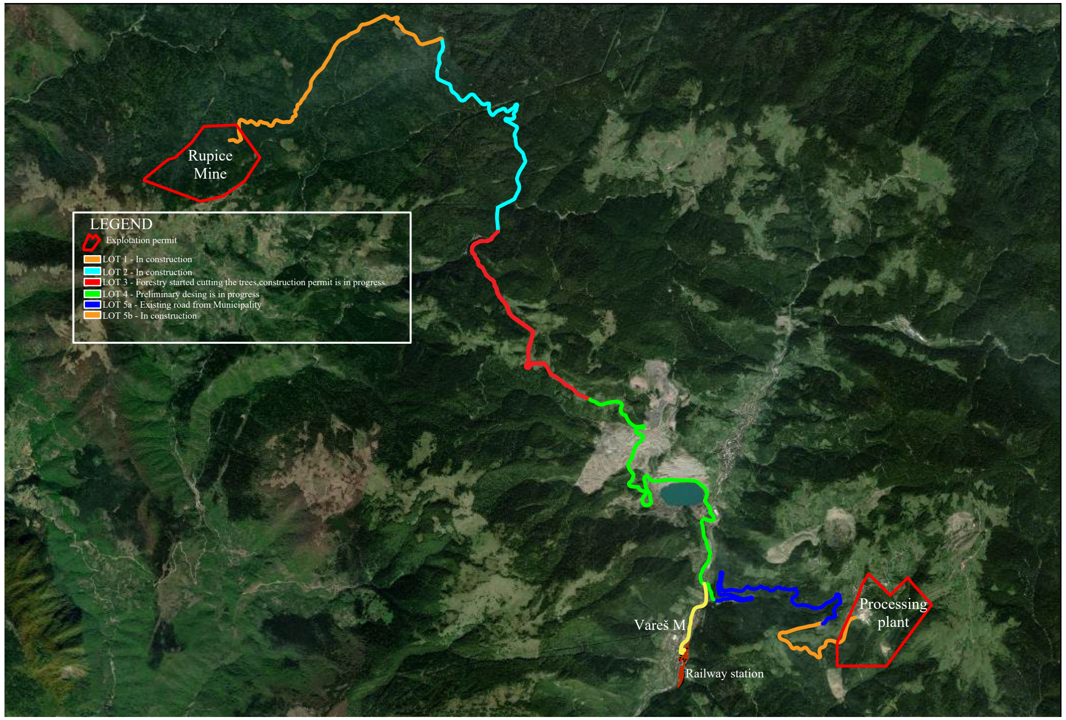
Operations review

Haul road

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

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

Construction of the 24.5km haul road is well underway and completion remains scheduled for Q2 2023.



Map showing the haul road route between Rupice and Vares Processing Plant

Vehicle tracking and telemetry

The haulage fleets for ore, tailings and concentrate will be equipped with GPS tracking and dashcams recording road activity. In addition, they will be fitted with driver fatigue monitoring and alarm systems. The haulage vehicle movements will be constantly tracked in the haulage control centre.
The light vehicle fleet will also be equipped with GPS tracking and dashcams.

Water supply

The 9km water supply pipeline to Rupice and the pump station at Mrestilište have been completed and tested. This will provide potable water to Rupice and a back-up supply for the industrial water requirements of the mine. The potable, industrial and fire hydrant water reticulation systems to the portals and infrastructure have been completed with the exception of the stockpile and backfill plant areas where earthworks is still being undertaken. Industrial water will normally be obtained from pump-stations on two local streams.

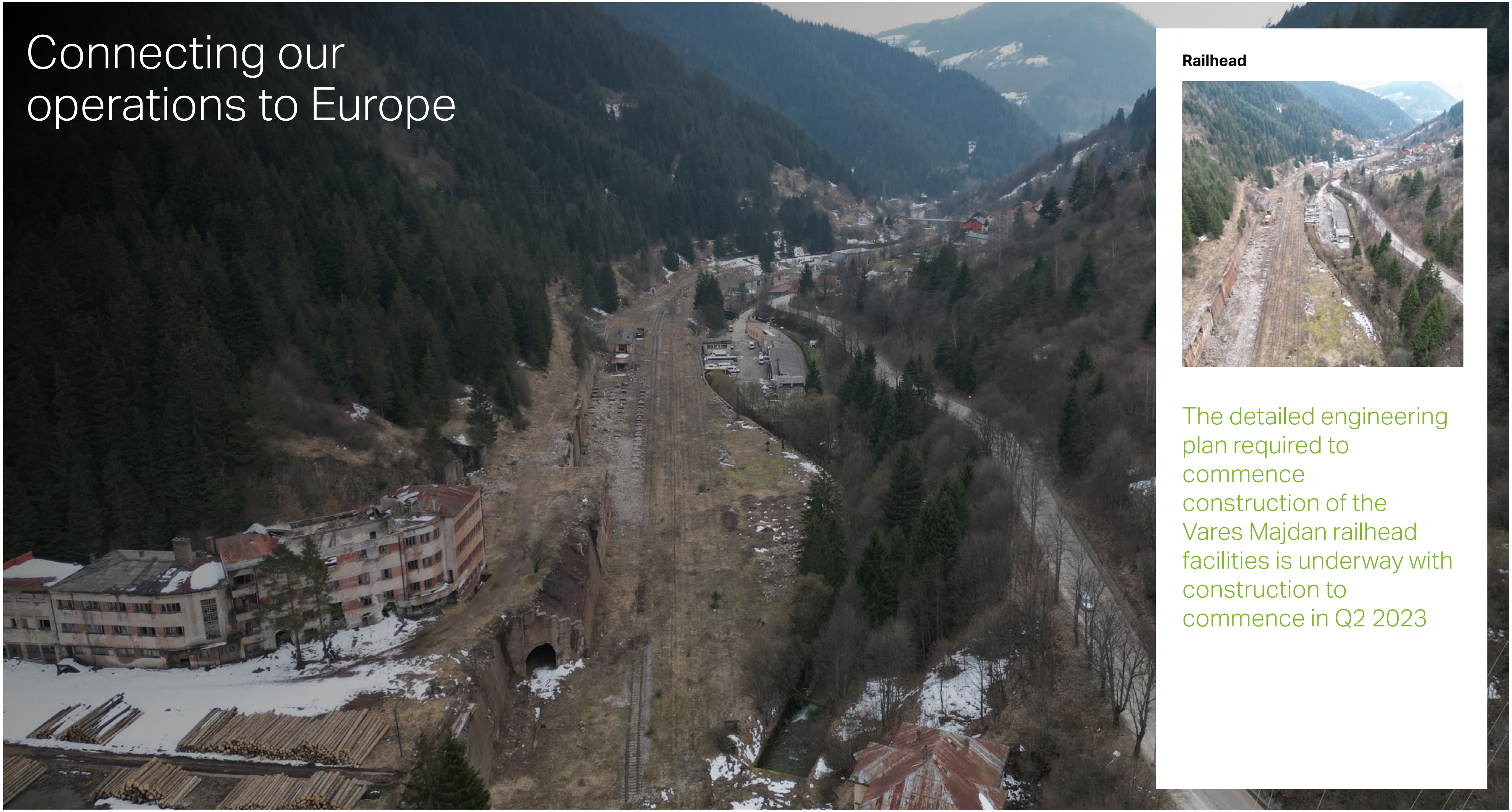
The water supply to the Vares Processing Plant area utilises the existing supply pipeline. Reticulation around the Plant site is close to completion.

The haul road is split into 5 Lots:

Lot 1	Lot 2	Lot 3	Lot 4	Lot 5a	Lot 5b
Excavations 80%, embankments 70%, water absorbing layer and external drainage ongoing	Forestry clearance ongoing and haul road construction in progress	Final design is being optimised for tender and construction permit approval	Request for detailed design complete, pending award	Existing road, maintenance only – ongoing	Forestry clearance ongoing and construction in progress

Contracts have been awarded for the haulage of ore and tailings between Rupice and the Vares Processing Plant, and for the onward transportation of concentrate to the Vares Majdan railhead.

Other logistics



Connecting our operations to Europe

Railhead

The detailed engineering plan required to commence construction of the Vares Majdan railhead facilities is underway with construction to commence in Q2 2023

Operations review

Other logistics

Railhead

In order to connect our operations in Vares to the main export terminal at Ploče in Croatia, facilities at the Vares Majdan railhead need to be redeveloped. Following the conclusion of lease arrangements, the detailed engineering plans required to commence construction got underway in 2022, with construction to commence in Q2 2023.

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

The first 25km section of the line from Vares to Podlugovi uses diesel locomotives and was last used in 2012. Federation of Bosnia and Herzegovina Railways ("BiH Railways") have surveyed the route and consider the sections of line that require upgrading can be completed within a short timescale.

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

In 2022, Adriatic and the BiH Railways reviewed the rail line sections requiring upgrade between Vares Majdan and Breza and the railhead facilities at Vares Majdan. The commercial terms required for the framework agreement to be converted into a commercial services agreement are nearing conclusion. This will agree the commercial relationship between Adriatic and BiH Railways and allow BiH Railways to initiate refurbishment of the line. These agreements are due to be completed in Q2 2023.

Port

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

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

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

An inspection visit of the port at Ploče took place in December 2022. A schedule of work has been agreed with the port authorities ahead of first delivery of concentrate. Adriatic is also undertaking environmental and OHS audits of rail and port facilities.

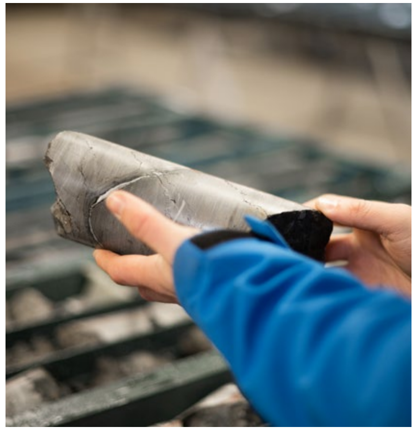
Concentrate transportation

Map of the rail route from Vares to Ploče

Exploration

Exploration Upside

Drilling and assaying



A total of 9,455m from 32 exploration drill holes was completed in 2022.

Operations review

Exploration

Exploration Upside

Rupice and Rupice NW will remain the focus of exploration activities in the Vares region and the deposits remain open and still to be fully defined. Exploration activity in 2023 will continue to realise the resource and reserve potential of these existing deposits. The opportunity for significant growth has encouraged further drilling investment and the prospect of material extension to the current life of mine ("LOM") assessment of the Vares Project.

In the Vares region, significant new potential remains across the range of greenfield, brownfield and advanced exploration targets. As part of a cohesive strategy, Adriatic is committed to advance exploration regionally to find the next economic-grade deposit that will diversify the current production profile and capitalise on our existing extensive tenement holding.

In 2023, exploration will focus on drill testing targets that have already been defined by mapping, soil sampling, rock-chip sampling and ground geophysics (mainly gravity). Prospects for further drill testing include – Rupice West, Semizova Ponikva, and Droskovac. Droskovac is a historic underground iron ore mine associated with lead and zinc mineralisation that have not previously been of interest to the iron ore miners. Rupice West and Semizova Ponikva are exciting ground gravity targets, coincident with surface zinc and lead anomalies.

To drive new project generation, the Vares exploration team have scheduled systematic surface mapping and sampling across 5km x 2km of the Vares East tenement. This under-explored area hosted historic artisanal mining projects for both barite and base metals.

Drilling & Assay

Drilling in 2022 was completed using three diamond drill rigs and crews provided by Drillex International (Drillex d.o.o. as of 1 November 2022). Holes were typically large diameter PQ size to a depth of ~100m through barren Jurassic sediments. The hole diameter was reduced to HQ size coring through Triassic sediments and mineralisation to end-of-hole. Holes varied in depth from 250m to 350m, depending on the depth to drill target. All holes were downhole surveyed using a Reflex EziTrack tool and core oriented using the Reflex ACT3 tool.

Drill core was logged and processed in Lipovici, an outer suburb of Vares, at Adriatic's exploration core yard. In 2022, exploration switched from using a manual drop-down brick saw, to an automatic Almonte core saw capable of processing 200m of core a day. Exploration in 2022 also switched from using the sample preparation and assaying services of ALS (Serbia-Ireland-Romania) to SGS in Turkey. Primarily, this was to improve turn-around-time, lower cost and reduce the number of labs processing samples. Barium over-limit assays (>50% Ba) were sent to SGS Canada for completion of assay.

Drilling in 2023 will continue with an increase to four Drillex d.o.o. diamond drill rigs. The principal sample preparation laboratory will remain at SGS in Turkey (Ankara) with QAQC umpire lab services contracted to ACME (Bureau Veritas) in Turkey (Ankara).

Exploration Holes

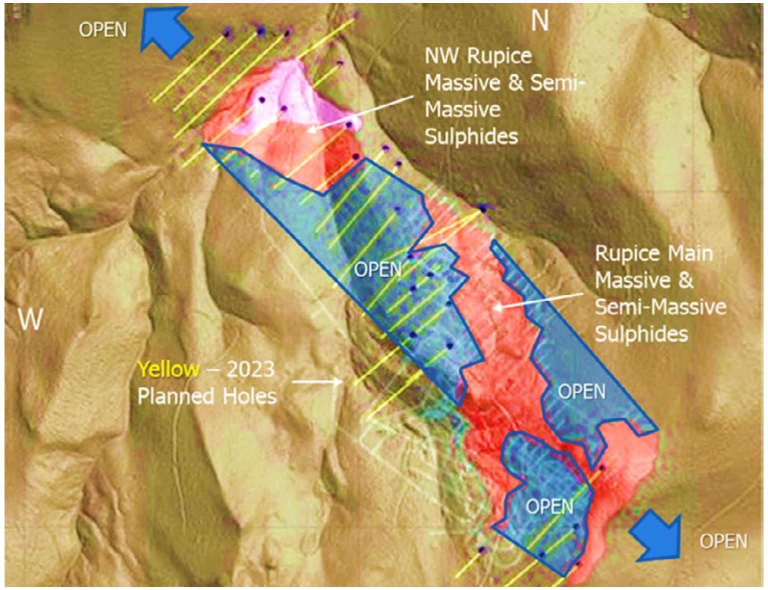
A total of 9,455m from 32 exploration drill holes was completed in 2022. This total includes four abandoned holes.

Drilling was focused on defining the Rupice NW deposit on a 40m section spacing, with holes on sections drilled as part of drill fans. Drill fans were designed to intersect mineralisation 25-30m apart. To minimise biodiversity impacts, fan drilling reduced the need for forest clearing, permitting and ground disturbance across difficult, mountainous, environmentally sensitive terrain.

The target in 2022 for exploration drilling was 8,349m, delivering 113% over budget metres to ensure sufficient exploration to define Rupice NW. Drilling will continue in 2023 to complete the closure and extension of the Rupice NW deposit.

As at end of December 2022, a horizontal distance of 90m separates Rupice NW from the Rupice orebody. This is an obvious target zone for testing in 2023. The intention is to prove the connection between Rupice NW to Rupice, to establish significant growth in the resource and support production optimisation.

Other areas to be exploration drill tested in 2023 include Rupice West, Semizova Ponikva and the historic Droskovac mine area.



Plan View. Rupice and Rupice NW 2023 planned drilling shown as yellow hole traces. Holes target areas open to mineralisation extension. Gaps in mineralisation identified from new 3D modelling of massive and semi-massive sulphide distribution and 3D geology.

Reserve Infill & Step–Out Drilling

A total of 8,139m from 40 Rupice reserve development drill holes were completed in 2022. The total includes two abandoned holes. The 2022 budgeted reserve development drilling was 9,495m. The reserve drilling was 14% under budget metres due to poor drill rig performance, reallocation of drilling equipment to geotechnical holes and the prioritisation of Rupice NW. A total of 1,356m of uncompleted reserve definition drilling activities will be carried over into 2023.

Drilling focused on closing gaps in existing 'Inferred' resource to achieve an 'Indicated' Resource or 'Probable' Reserve level of confidence in mineralisation. Results of this drilling will be reported as part of a 2023 Rupice Mineral Resource Estimate. Step-out drilling, as part of the Reserve development drilling program, also extended the Rupice resource 40m to the southeast of the existing Rupice reserve. The mineralisation remains open in this direction and is a focus of 2023 drilling.

Other areas for exploration step-out drilling aimed at adding to Rupice reserve include drilling up-dip and down-dip of the known open-ended Rupice resources and reserve. This is a significant program of holes over the 650m strike length of the main body of Rupice mineralisation.

Operations review

Exploration

Extending life of mine

Adriatic's long term strategic vision is to safely and efficiently grow the business into a long-life, major producer of metals.

Rupice deposit: significant opportunity to increase in mine life

Following extensive drilling through 2022 and into early 2023, the Rupice deposit has shown the potential to extend beyond the publicly declared 2020 Minerals Resource Estimate and 2021 Mineral Reserves Estimate.

Exploration drilling at Rupice NW during 2022 followed up on initial discovery holes drilled in 2021. The initial Rupice NW discovery was ~210m to the NW of the Rupice orebody. Recent drilling has brought the new mineralisation to within 90m of the existing Rupice orebody. Exploration was completed across five 40m spaced section lines covering a distance of over 200m. Holes were planned to intersect mineralisation 25m to 30m between holes on section. Mineralisation was found to be of equivalent tenor to the Rupice orebody, grades were continuous from section to section and hole to hole. Thicknesses of over 40m were repeated across sections. As at end 2022, the up-dip, down-dip, northwestern and southeastern extents of mineralisation were not closed-off.

Rupice NW represents a significant unconstrained body of mineralisation that once drilled-out, modelled and estimated will make a material difference to the LOM of the Rupice orebody in terms of tonnes, and metal added to resources and reserves. An updated Mineral Resource Estimate of Rupice and Rupice NW is anticipated in 2023.

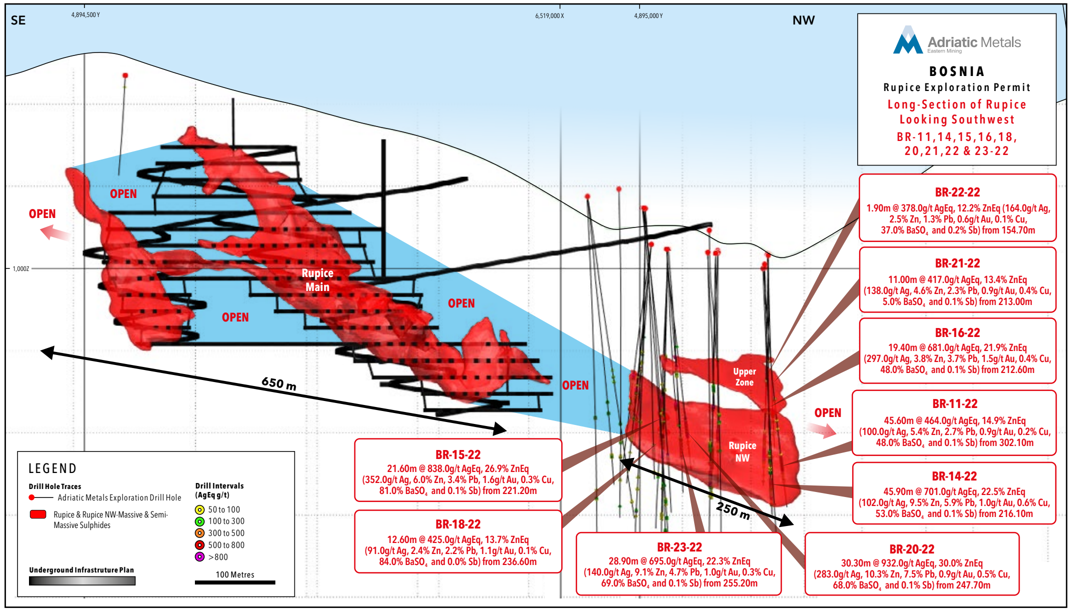
In parallel with Rupice NW exploration drilling, reserve development drilling was completed to convert Rupice Inferred to Indicated resources and reserve. As part of this process, it was identified that the Rupice orebody remained open to extension. Additional growth potential was targeted at:

- areas of completed drilling with visible mineralisation not sampled and assayed;
- mineralisation outside of visible massive and semi-massive sulphides not being completely sampled and assayed;
- early drilled geotechnical and hydrogeological holes away from the Rupice reserve being mineralised, unsampled and unassayed;
- a review of mineralisation in 3D showing mineralisation was not closed-off up-dip and down-dip of resources;
- the discovery of the existence of an Upper Zone of mineralisation at Rupice through relogging and new sampling.

The above prospects were pursued with further sampling of existing drilled areas. Additional exploration drilling is planned in 2023 to realise the potential of up-dip and down-dip areas of mineralisation extension.

Reserve drilling also completed step-out exploration to the southeast of Rupice, extending mineralisation in this direction by 40m. This drilling also proved the concept of Rupice being more continuous up- and down-dip than captured in existing resources with width of >200m on the south-eastern-most section. The drilling also confirmed Rupice being open to south-eastward extension.

An updated Rupice Mineral Resource Estimate is planned for 2023 to capture the described resource growth potential defined by 2022 reserve drilling and extensive historic core re-sampling. Further resource growth and positive impacts on LOM are expected through completion of additional up-dip, down-dip and extensional exploration drilling in 2023.



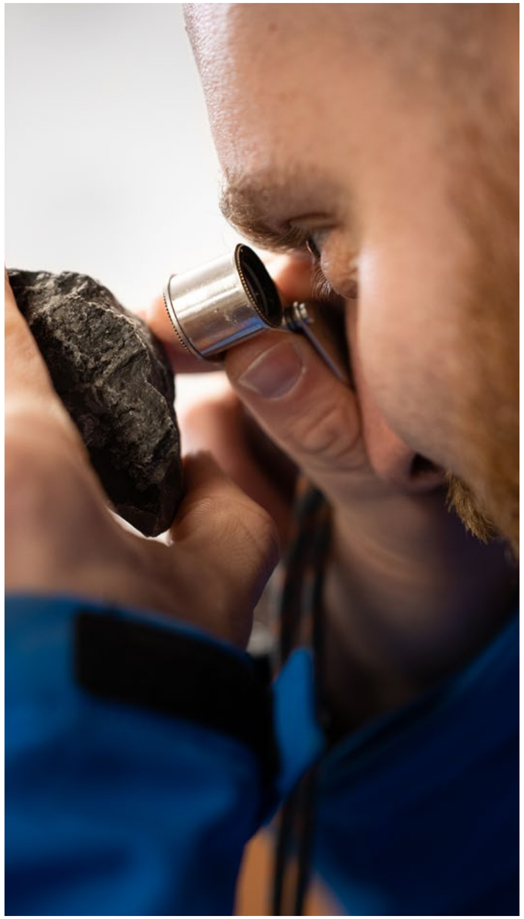
Long Section of Rupice and Rupice NW sulphide and semi-massive sulphide mineralisation to end of 2022. Significant assays reported as at 12 January 2023 highlighting mineral endowment of Rupice NW. Open LOM growth potential is highlighted in blue and to the Northwest and Southeast of existing drilled mineralisation.

Operations review

Exploration

Mineral resources

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



Rupice Mineral Resource Estimate by Classification

Rupice Mineral Resources, August 2020

		Grades								Contained Metal							
Class.	(Mt)	AgEq (g/t)	Ag (g/t)	Zn (%)	Pb (%)	Cu (%)	Au (g/t)	$BaSO_4$ (%)	Sb (%)	AgEq (Moz)	Ag (Moz)	Zn (kt)	Pb (kt)	Cu (kt)	Au (koz)	$BaSO_4$ (kt)	Sb (kt)
Indicated	9.5	450	176	4.9	3.1	0.5	1.6	29	0.2	137	54	465	294	52	500	2,730	21
Inferred	2.5	111	49	0.9	0.7	0.2	0.3	9	0.1	9	4	23	18	4	27	218	3
Total	**12.0**	**387**	**149**	**4.1**	**2.6**	**0.5**	**1.4**	**25**	**0.2**	**149**	**58**	**488**	**312**	**56**	**526**	**2,948**	**24**

Veovaca Mineral Resource Estimate by Classification

Veovaca Mineral Resources, July 2019

		Grades						Contained Metal					
Class.	(Mt)	AgEq (g/t)	Ag (g/t)	Zn (%)	Pb (%)	Au (g/t)	$BaSO_4$ (%)	AgEq (Moz)	Ag (Moz)	Zn (kt)	Pb (kt)	Au (koz)	$BaSO_4$ (kt)
Indicated	5.3	225	50	1.6	1.0	0.1	16	38	9	83	55	14	860
Inferred	2.1	116	17	1.1	0.5	0.1	6	8	1	23	11	4	123
Total	**7.4**	**193**	**41**	**1.4**	**0.9**	**0.1**	**13**	**46**	**10**	**106**	**66**	**18**	**984**

Combined Notes:

Mineral Resources are based on JORC Code definitions

It is the opinion of Adriatic Metals and the Competent Person that all elements and products included in the metal equivalent formula have a reasonable potential to be recovered and sold

Rows and columns may not add up exactly due to rounding

Rupice Notes:

A cut-off grade of 50g/t silver equivalent has been applied

AgEq – Silver equivalent was calculated using conversion factors of 32.4 for Zn, 25.9 for Pb, 79.2 for Au, 1.9 for $BaSO_4$, 84.2 for Cu and 84.2 for Sb. Metal prices used were US$2,500/t for Zn, US$2,000/t for Pb, $150/t for $BaSO_4$, $2,000/oz for Au, $24/oz for Ag, $6,500/t for Sb and $6,500 for Cu. ZnEq – zinc equivalent is calculated using AgEq*1/31.1

Metal recoveries and payabilities from the PFS have been applied

The applied formula was: AgEq = Ag(g/t) * 92% * 86% + 32.4 * Zn(%) * 97% * 71% + 25.9 * Pb(%) * 93% * 84% + 1.9 * $BaSO_4$(%) * 58% * 99% + 79.2 * Au(g/t) * 70% * 76% + 84.2 * Sb(%) * 96% * 17% + 84.2 * Cu(%) * 97% * 82%

A bulk density was calculated for each model cell using regression formula BD = 2.745 + $BaSO_4$ * 0.01793 + Pb * 0.06728 – Zn * 0.01317 + Cu * 0.1105 for the halo domain, BD = 2.7341 + $BaSO_4$ * 0.01823 + Pb * 0.04801 + Zn * 0.03941 – Cu * 0.01051 for the fault zones and BD = 2.7949 + $BaSO_4$ * 0.01599 + Pb * 0.05419 + Zn * 0.01169 + Cu * 0.06303 for the low-grade domain. Bulk density values were interpolated to the combined high-grade domain from 631 BD measurements

Veovaca Notes:

A cut-off grade of 0.6% ZnEq has been applied

Metallurgical recoveries of 90% have been applied in the metal equivalent formula based on recent and ongoing test work results

ZnEq was calculated using conversion factors of 0.80 for lead, 0.08 for $BaSO_4$, 1.80 for gold and 0.019 for silver, and recoveries of 90% for all elements. Metal prices used were US$2,500/t for zinc, US$2,000/t for lead, US$200/t for $BaSO_4$, US$1,400/oz for gold and US$15/oz for silver. AgEq – silver equivalent is calculated using ZnEq*1/51.84

The applied formula was: ZnEq = Zn% * 90% + 0.8 * Pb% * 90% + 0.08 * $BaSO_4$% * 90% + 1.8 * Au(g/t) * 90% + 0.019 * Ag(g/t) * 90%

A bulk density was calculated for each model cell using regression formula BD = 2.70855 + $BaSO_4$ * 0.01487 + Pb * 0.03311 + Zn * 0.03493

Operations review

Exploration

Mining

Ore Reserves

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

Vares Project Ore Reserve Estimate, August 2021

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

Notes:

Mineral Resources are based on JORC Code definitions

It is the opinion of Adriatic Metals and the Competent Persons that all elements and products included in the metal equivalent formula have a reasonable potential to be recovered and sold

Rows and columns may not add up exactly due to rounding

FS metal prices, payabilities and recoveries have been applied

AgEq – Silver equivalent was calculated using conversion factors of 37.31 for Zn, 28.6 for Pb, 72.0 for Au, 118.2 for Cu and 118.2 for Sb

The applied formula was: AgEq = Ag(g/t) * 89% * 88% + 37.3 * Zn(%) * 91% * 75% + 28.6 * Pb(%) * 92% * 87% + 72.0 * Au(g/t) * 64% * 77% + 118.2 * Sb(%) * 95% * 84% + 118.2 * Cu(%) * 94% * 16%

ZnEq – zinc equivalent is calculated using AgEq * 1/31.1

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

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

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

Competent Persons' Statement

The information relating to the Mineral Resources estimates in this Annual Report are based on and fairly represents information and supporting information compiled by Mr. Dmitry Pertel. Mr. Pertel at time of Mineral Resources estimate was a full-time employee of CSA Global and is a Member of the Australian Institute of Geoscientists. Mr. Pertel has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources, and Ore Reserves (JORC Code). Mr. Pertel consented to the disclosure of information in this report in the form and context in which it appears.

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

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

Competent Persons Statement

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

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

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

Exploration

Tenement holdings

The Company's tenements at 8 March 2023 are set out in the table below. The Company holds a 100% interest in all concession agreements and licences via its wholly owned subsidiaries with the exception of the Raska (Suva Ruda) licence held by Deep Research d.o.o.. The Company has an option agreement to acquire 100% ownership of Deep Research d.o.o. but has no equity interest in that entity at present.

	Concession document	Registration number	Licence holder	Concession name	Area (km^2)	Date granted	Expiry date
Bosnia and Herzegovina	Concession Agreement	No.:04-18-21389-1/13	Eastern Mining d.o.o.	Veovaca1	1.08	12-Mar-13	12-Mar-38
				Veovaca 2	0.91	12-Mar-13	12-Mar-38
				Rupice-Jurasevac, Brestic	0.83	12-Mar-13	12-Mar-38
	Annex 3 & 6 Area	No.: 04-18-21389-3/18	Eastern Mining d.o.o.	Rupice - Borovica	4.52	14-Nov-18	12-Mar-33
	Extension			Veovaca - Orti - Seliste - Mekuse	1.32	14-Nov-18	12-Mar-33
	Annex 5 – Area	No: 04-18-14461-1/20	Eastern Mining d.o.o.	Orti-Selište-Mekuše- Barice- Smajlova Suma-Macak	19.33	3-Dec-20	3-Dec-50
	Extension			Droskovac - Brezik	2.88	3-Dec-20	3-Dec-50
				Borovica – Semizova Ponikva	9.91	3-Dec-20	3-Dec-50
	Concession Agreement	No: 04-14-5359-3/22	Eastern Mining d.o.o.	Saski Do	1.28	19-Jul-22	19-Jul-25
Serbia	Exploration Licence	310-02-1721/2018-02	Adriatic Metals d.o.o.	Kizevak	1.84	3-Oct-19	16-Oct-22 (pending)*
	Exploration Licence	310-02-1722/2018-02	Adriatic Metals d.o.o.	Sastavci	1.44	7-Oct-19	16-Oct-22 (pending)*
	Exploration Licence	310-02-1114/2015-02	Adriatic Metals d.o.o.	Kremice	8.54	21-Apr-16	26-Jul-22 (pending)*
	Exploration Licence	310-02-00060/2015-02	Deep Research d.o.o.	Rudno Polje Raska	81.39	28-Dec-15	24-Oct-24**
	Exploration Licence	310-02-01670/2021-02	Adriatic Metals d.o.o.	Kaznovice	37.1	11-Oct-21	22-Nov-24

* These concessions are pending renewal, applications for extension have been submitted, the Company is awaiting to receive confirmation of extensions from authorities.

**Possible to obtain a 1 year extension, but only for preparation of reserves elaborate which excludes any geological exploration work

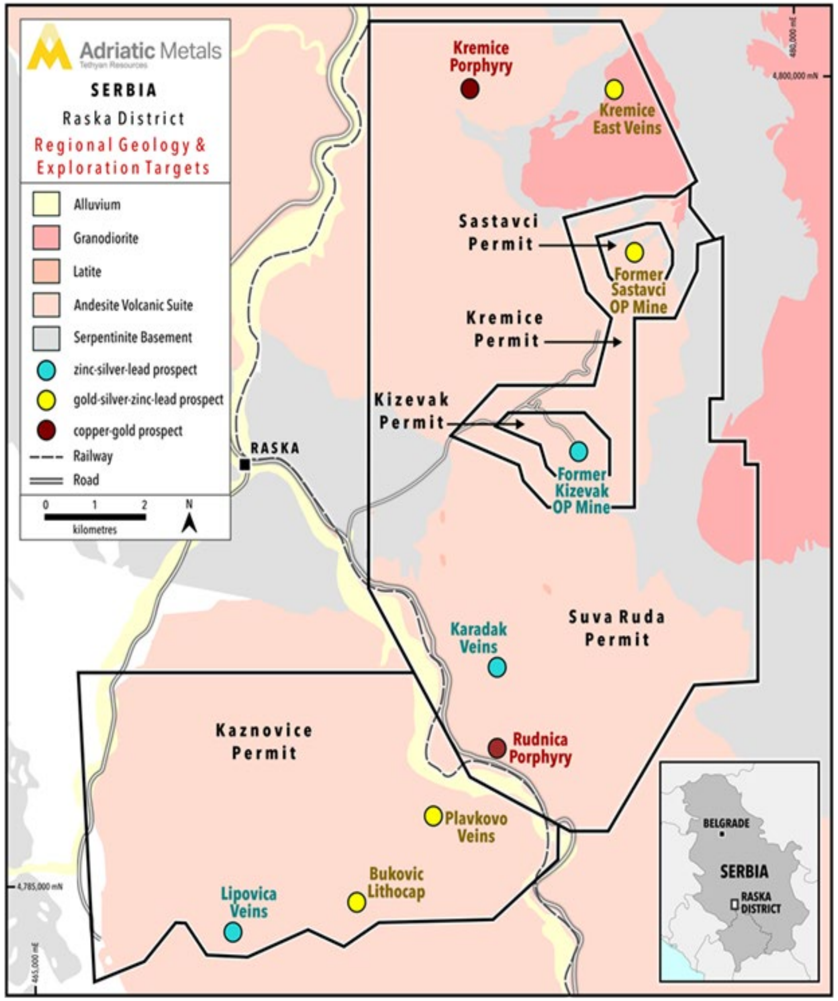
Operations review

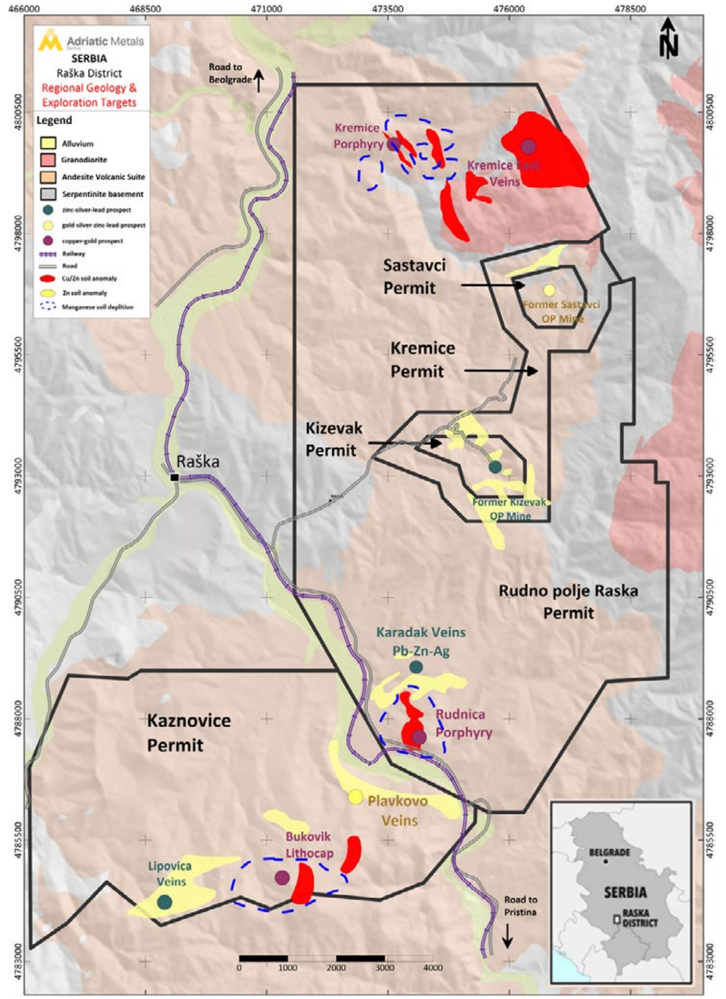
Exploration

Raska, Serbia

The Raska project, Serbia

The Raska Zinc-Silver Project in Serbia was obtained through the acquisition of Tethyan Resource Corp. ("Tethyan"), which was completed in October 2020. Tethyan was exploring a highly prospective 130km2 land package in southern Serbia, focused primarily around two historic open pit mining operations, Sastavci and Kizevak, both of which closed in the late 1990s. The Sastavci and Kizevak deposits, like those in the Vares Project, sit on the Polymetallic Tethyan Metallogenic Belt and thus also contain zinc, silver and lead mineralisation.





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

Operations review

Exploration

Raska Project Developments

During Q3 and Q4 2022, all exploration permits were transferred to Ras Metals d.o.o. Subsequently, the company name was changed to Adriatic Metals d.o.o. in October 2022. During 2022, exploration rights for the Kizevak, Sastavci, Kremice and Rudno Polje Raska permits expired. All required documentation for each permit extension was delivered to the Ministry of Mining and Energy on time. The Rudno Polje Raska Permit was granted extension in October 2022. Extension approvals are pending for the Kizevak, Sastavci and Kremice projects.

Adriatic Metals d.o.o. holds the Kizevak and Sastavci exploration licences relating to the Raska Project. Exploration has continued at Raska during 2022 with 1 diamond core drilling rig. The drilling started on 8 July 2022 over the Lipovica prospect at the Kaznovice licence. Work on permits exploration period extensions with Ministry of Mining and Energy caused a general delay to the start of the 2022 drilling campaign. In total over 4,000m of diamond core drilling has been completed for the year. The focus during the year was on the field work and creating 3D geology models for Kizevak and Sastavci. Mapping, soil sampling, MAG survey, rock, channel and trench sampling were followed by environmental studies that covered different prospects within the Raska project area.

At the Kizevak prospect, an infill drilling campaign was completed in August 2022. The drilling program successfully validated the Kizevak geology model and mineralisation model. Potential pit optimization studies were completed utilising data from 2021 and 2022 drilling. Metallurgical testwork results for Kizevak were received from Belgrade University in Q3 2022. Comminution testwork was completed by WAI in UK in March 2022.

Internal geological and mineralisation models were created for the Sastavci deposit based on 2021 drilling results. Metallurgical testwork on Sastavci mineralisation was completed and reported by Belgrade University in Q3 2022. Comminution testwork also completed at WAI in UK.

At the Karadak prospect, drilling continued in 2022, testing the depth potential of mineralisation uncovered by exploration surface trenching over interpreted gravity anomalies. Encouraging mineralisation was intersected near surface in two boreholes and a narrow high-grade interval in a one borehole approximately 50m below the surface.

Across the Lipovica and Bukovik prospects scout drilling campaigns were completed over targets in the newly acquired Kaznovice permit (granted on 22 November 2021). Near surface mineralisation was tested with wide spaced diamond drilling to shallow depths at Lipovica perpendicular to a geochemically anomalous NE trending corridor. Narrow base-metal-silver veining was intercepted suggesting the potential for a more substantial mineralised system at greater depth. Two boreholes collared at the Bukovik prospect tested interpreted geophysical anomalies (magnetic and IP) for potential lithocap related epithermal Au and porphyry Au+-Cu mineralisation. Drilling was completed late in Q3 and in Q4 2022 and results from drill hole assay are expected in 2023.

A LiDAR survey was conducted over entire Kaznovice Permit in Q2 2022, to assist in planning of all exploration activities and identification of potential historic workings.

The Kremice Porphyry prospect was drill tested with two boreholes in Q4 2022. The first borehole tested the footprint of an extreme magnetic low interpreted to be associated with a porphyry related altered demagnetised zone. A second borehole tested a manganese depletion zone identified in soils over a magnetic low anomaly. Both holes were successful in defining a low-grade diorite porphyry-hosted, gold bearing quartz vein stockwork.

In 2023, exploration work will continue to advance the Kozya Glava (Kremice & Rudno Polje Raska licences), Rudnica (Rudno Polje Raska licence), Kremice Porphyry (Rudno Polje Raska licence), Plavkovo and Bukovik (Kaznovici licence) prospects. Each of the projects has been ranked as having potential to advance up the exploration pipeline based on results to date and/or proximity or association with existing known mineralisation, as a complement to Kizevak and Sastavci. Work on Kizevak and Sastavci will continue to better understand and incorporate data collected in 2021 and 2022.

Engagement in Raska

In 2022, Adriatic published public newsletters that are available at its information centre (see further information below) and on the Company website, providing valuable information to interested parties. These newsletters serve as a means of keeping stakeholders informed about the latest developments, including updates on sustainability initiatives, community engagement activities and interviews from the local community.

In 2022, representatives from the Company presented at the local high school regarding sustainable development and education. The goal was for the students to understand the value of sustainable development within the local economy.

In 2022, Adriatic has been involved in a number of social projects and initiatives in Raska that align with the Company's values. Adriatic donated to a local veteran association for the restoration of the monument to the fallen soldiers in the nearby village of Radosice, located near Kizevak. Adriatic also made a donation to the cultural organisation Novi Pazar. The organisation is dedicated to preserve and promote the cultural heritage of the Raska region. Adriatic continued to support the local football tournament for the fifth consecutive year. The tournament, organised by the village of Rudnica in Raska, has been gathering teams and spectators from a large area surrounding the Raska municipality. The Company also supported a project for spreading environmental awareness and provided financial support for a solar bench in the city park of Raska.

Environmental studies

Throughout 2021 and 2022, Adriatic conducted extensive environmental baseline studies in the areas surrounding its explorational licenses Kizevak and Sastavci, together with the local consulting company Envico. These studies have provided valuable insights into the local ecosystem, including the flora and fauna, water quality, air quality and cultural heritage. These studies provide a detailed understanding of the environmental conditions in the areas where explorational activities take place, enabling the Company to make informed decisions and implement measures to reduce its environmental footprint in the future and have a starting point for the Environmental Social Impact Assessment ("ESIA") process.

Adriatic acknowledges that historical pollution from past operations may have impacted the environment in the areas where it currently operates. The Company is committed to identifying and addressing environmental issues and will continue monitoring the key points. In addition, Adriatic operates in areas that are in proximity to the National Park Kopaonik. As individually protected spies of fauna could be found in the explorational licenses, the Company recognises the importance of preserving these species and their habitats and is committed to taking all necessary measures to ensure their protection. In 2022, an environmental baseline study has been started for the Kaznovice explorational licence. The scope of works includes air quality field tests, surface, underground, drinking water, and sediment quality laboratory test. The study also included an archaeological field survey. The Company will continue to conduct archaeological surveys and implement measures to protect sensitive areas and it is also aware that cultural and historical resources are essential to the local communities where there are operations.

The environmental baseline study will be extended to new areas in Rudnica, Kozja Glava and Kremice in 2023. Adriatic recognises that its operations have the potential to impact the environment and is committed to implementing best practices and innovative solutions to reduce its environmental footprint and ensure the long term sustainability of its operations.

Information centre and feedback

By opening the information centre in Raska at the end of 2021, Adriatic has been able to provide a space where all interested parties can communicate with the team to ask questions about the Company and express any opinions or concerns. The centre offers a wide range of services, including information about the Company's history, mission, values and vision. Visitors can also learn about the Company's commitment to sustainability and community engagement. The information centre had almost four hundred visits in 2022. The most common questions were regarding job opportunities, donations, and Adriatic's operations and field activities.

Financial review

Secure funding position

Income statement

(In USD)	Year ended 31 December 2022	Year ended 31 December 2021	Change
Operating loss before impairment	(13,287,601)	(13,121,371)	(166,230)
Exploration and evaluation impairment	(23,186,959)	-	(23,186,959)
Operating Loss	**(36,474,560)**	**(13,121,371)**	**(23,353,189)**
Net finance expense & fair value movements	**(10,668,258)**	(1,069,441)	(9,598,817)
Loss before taxation	**(47,142,818)**	**(14,190,812)**	**(32,952,006)**

The Group made an operating loss of $36.5m for the year ended 31 December 2022 compared with an operating loss of $13.1m for the year ended 31 December 2021 ("prior year"). The increase is primarily due to a $23.2m partial impairment of the Raska Project. Excluding this impairment, the operating loss in the year was broadly similar to the prior year reflecting a reduction in exploration expenditure in Serbia offset by a continuing ramp up in activity as the Group advanced the construction phase of the Vares Project in Bosnia and Herzegovina and began its preparation for the operational phase.

General and administrative expenses

General and administrative costs incurred in the year were $10.6m (prior year: $7.3m) due to increased headcount and higher depreciation. The share-based payment expense of $1.3m (prior year: $2.0m) reduced due to lower value of share options and performance rights vesting in the year compared with the prior year.

Wages and salaries in the year totalled $4.4m, an increase compared with prior year ($2.7m) due to higher headcount, with an average number of employees of 158 in the year (prior year: 109).

Professional fees in the year of $0.9m were slightly lower than the prior year ($1.2m), while stock exchange fees of $0.2m were in line (prior year: $0.2m).

Exploration costs

Exploration costs of $1.4m expensed in the year relating to the Raska Project were lower than the prior year ($3.7m) due to lower levels of drilling, as activity focused on developing a detailed understanding of the Raska Project's potential and a revised development plan.

Finance expense

The finance expense in the year was $7.1m (prior year: $2.9m) mainly as a result of a higher foreign exchange loss in the year of $4.6m (prior year: loss of $1.0m) on revaluation of cash held in Euros for the Vares Project construction, as the Euro depreciated against the US dollar. This adverse impact in the income statement was compensated by the fact that the weakening of the Euro mitigated inflationary increases on the Vares Project construction in US dollar terms.

Revaluation of derivatives and fair value of liabilities

The Group issued $20m 8.5% convertible debt to Queens Road Capital Investment Ltd on 30 November 2020 which may be converted into equity securities of the Company at the option of the debt holder at any time until 30 November 2024. The conversion feature of the debt has been accounted for as a derivative liability and is fair valued at each balance date. Fair value movements, which primarily relate to the changes in the Company's share price, exchange rates and the estimated timing of conversion, are taken to the income statement. Mainly due to the Company's higher share price, the increase in fair value of the derivative liability at 31 December 2022 resulted in a $3.9m loss in the year ended 31 December 2022 (prior year: gain of $1.7m), with the Company share price at 31 December 2022 of A$3.15 (prior year: A$2.45) which was above the conversion strike price of A$2.7976 per ordinary share.

Following settlement during the year of the remaining cash and share consideration for the Ras Metals acquisition in 2021, the Company recognised a revaluation gain of $0.2m in the year in respect of deferred consideration (prior year: gain of $0.03m).

Impairment of Raska Project

The Company's focus on Vares Project construction and exploration means that resources available for exploration in Serbia will be more limited in the coming year, with the result that the Raska Project will now be developed over a longer horizon. The Company has therefore determined that it is appropriate at this time to recognise a partial impairment of $23.2m against the Raska Project, reducing the carrying amount to $8.5m.

Financial review

Strong capital control

Cash Flow and Balance Sheet Review

Cash Flow

(In USD)	Year ended 31 December 2022	Year ended 31 December 2021
Net cash used in operating activities	(11,233,068)	(10,417,089)
Net cash used in investing activities	(58,664,242)	(13,761,598)
Net cash inflows from financing activities	22,410,095	96,813,807
Net (decrease)/increase in cash and cash equivalents	**(47,487,215)**	**72,635,120**

Net cash used in operating activities during the year was $11.2m compared with $10.4m in the prior year.

Investing activities included cash outflows for the purchase of property, plant and equipment during the year of $58.7m (prior year: $13.8m) mainly reflecting the commencement of construction of the Vares Project.

Net cash inflows from financing activities totalled $22.4m including draw down of the first $30m tranche of the Orion Senior Secured Debt, net of fees and associated legal costs totalling $3.8m. Other financing outflows included the final $0.5m payment of deferred consideration in respect of the Ras Metals acquisition and $1.7m interest paid on the Queens Road Capital convertible debt, offset by interest received on cash holdings of $0.3m.

Prior year financing activities included $104.9m inflow from issue of share capital as part of the Vares Project finance package, less transaction costs of $4.5m, to provide the Company with sufficient financial resources to commence concentrate production in Q3 2023.

Working capital

(In USD)	At 31 December 2022	At 31 December 2021	Change
Receivables and prepayments	18,830,315	2,219,562	16,610,753
Accounts payable and accrued liabilities	(5,341,740)	(4,318,794)	(1,022,946)
Working capital	**13,488,575**	**(2,099,232)**	**15,587,807**

The Group had a positive working capital position at 31 December 2022 of $13.5m, compared with a negative position of $2.1m at 31 December 2021, mainly due to advance payments made during the year in respect of processing plant equipment for the Vares Project construction.

Net cash

(In USD)	At 31 December 2022	At 31 December 2021	Change
Cash and cash equivalents	60,585,277	112,506,468	(51,921,191)
Long term borrowings (including embedded derivative liability)	(48,867,271)	(18,573,489)	(30,293,782)
Net cash	**11,718,006**	**93,932,979**	**(82,214,973)**

The cash balance at 31 December 2022 was $60.6m, a decrease of $51.9m compared with 31 December 2021, reflecting Vares Project construction outflows partially compensated by first draw down of the Orion Senior Secured Debt.

Combined short term and long term borrowings at 31 December 2022 totalled $48.9m, comprising $26.2m Orion Senior Secured Debt (31 December 2021: nil) and $22.7m Queens Road Capital convertible debt, including embedded derivative liability (31 December 2021: $18.6m).

The net cash position (cash and cash equivalents minus long and short term borrowings) at 31 December 2022 was $11.7m, a decrease of $82.2m compared with 31 December 2021, reflecting cash used in operating activities and in Vares Project construction, partially offset by debt draw down.

Non-current assets

(In USD)	At 31 December 2022	At 31 December 2021	Change
Exploration and evaluation assets	8,500,000	31,901,708	(23,401,708)
Property, plant and equipment	77,860,563	29,877,774	47,982,789
Right-of-use assets	8,953,835	733,246	8,220,589
Total non-current assets	**95,314,398**	**62,512,728**	**32,801,670**

Total non-current assets increased to $95.3m at 31 December 2022 (31 December 2021: $62.5m) due to progress on the construction stage of the Vares Project and capitalisation of mining equipment provided under the Nova mining services contract under IFRS 16, offset by a partial impairment of $23.2m against the Raska Project's carrying value.

Financial review

Clear debt repayment programme

Cash

The Company had a cash balance at 31 December 2022 of $60.6m and, subject to satisfaction of customary conditions precedent, an undrawn debt facility of $112.5m.

Orion Mine Finance Project Finance Package

In the prior year the Company secured a $244.5m project finance package ("Orion Project Finance Package") to provide the Group with sufficient funding through to first concentrate production at the Vares Project. The package consists of:

$142.5m project finance debt package from Orion, comprising $120m in Senior Secured Debt and a $22.5m Copper Stream deposit (together, the "Orion Debt Finance Package"); and

An equity raise of $102m, including a $50m subscription from Orion.

During the year all conditions precedent for draw down of the first tranche of $30m of the Senior Secured Debt were satisfied and these funds were received in December.

All conditions precedent for draw down of the second $30m tranche of the Senior Secured Debt and for receipt of the $22.5m Copper Stream deposit were satisfied subsequent to year end and these funds were received in February 2023. The third and fourth tranches of the Senior Secured Debt will be drawn down in 2023 when required

Queens Road Capital convertible debt

Concurrent to the first draw down of the Orion Debt Finance Package, the Company and Queens Road Capital Investment Ltd executed an amendment to the 30 November 2020 deed of covenant, confirming that the Company is not required to redeem the debentures and increasing the cash coupon from 8.5% to 9.5% per annum. As a result of this amendment, an additional $20m (less interest) will be available for the Project funding should it be required.

Vares Project development budget

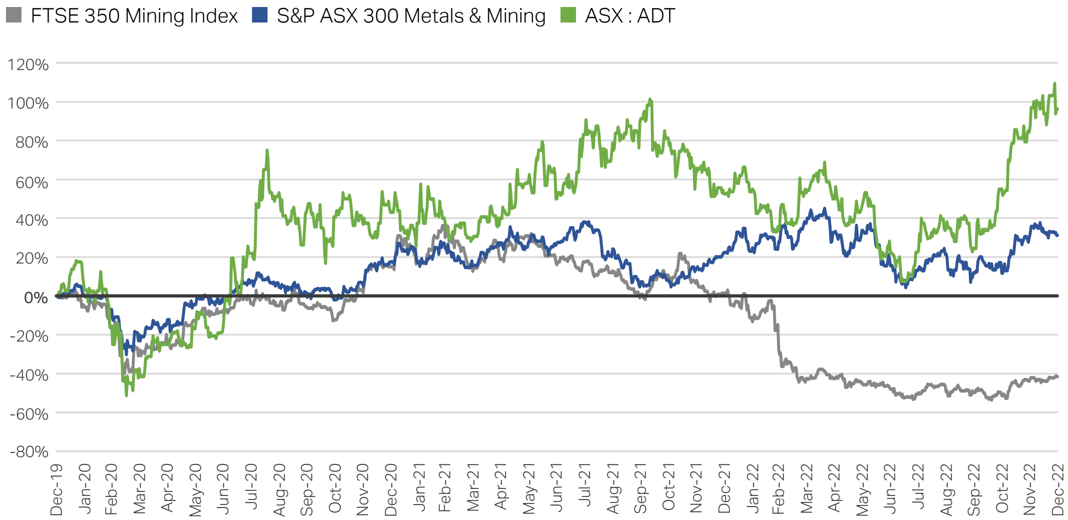
The Project cost estimate has increased to $183m, including an unutilised contingency of $10m. The Company remains fully funded to Project completion.

The increase reflects scope changes to improve the safety and efficiency of future operations as well as inflationary pressure affecting the global mining sector. In view of periods of US dollar weakness over the last six months, the Company has rebalanced its cash holdings to align more closely with the expected currency profile of expenditure, as a hedge against the Euro and Bosnian Mark strengthening against the US dollar and thereby preventing adverse impacts on the Group's finances.

Of the total Project cost, as at 15 March 2023, 84% of capital expenditure excluding contingency was awarded, pending award, or recently quoted as shown below:

Share price performance

The Company's share price has appreciated 96% during the past three years, outperforming relevant comparable market indices, S&P ASX 300 Metals & Mining (31% appreciation) and FTSE 350 Mining index (42% depreciation).



Resilient through cycles

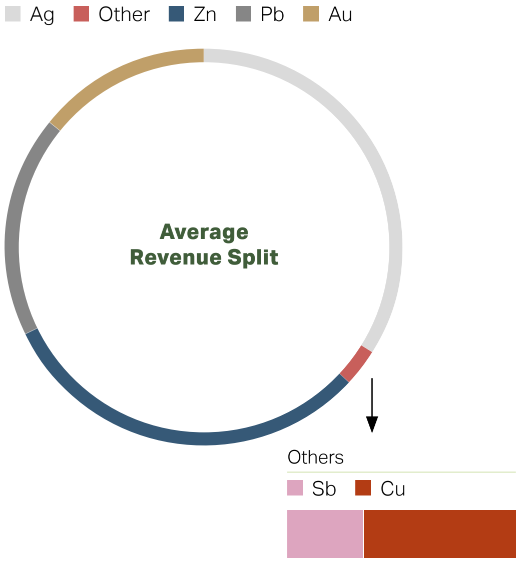
Commodity price performance

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

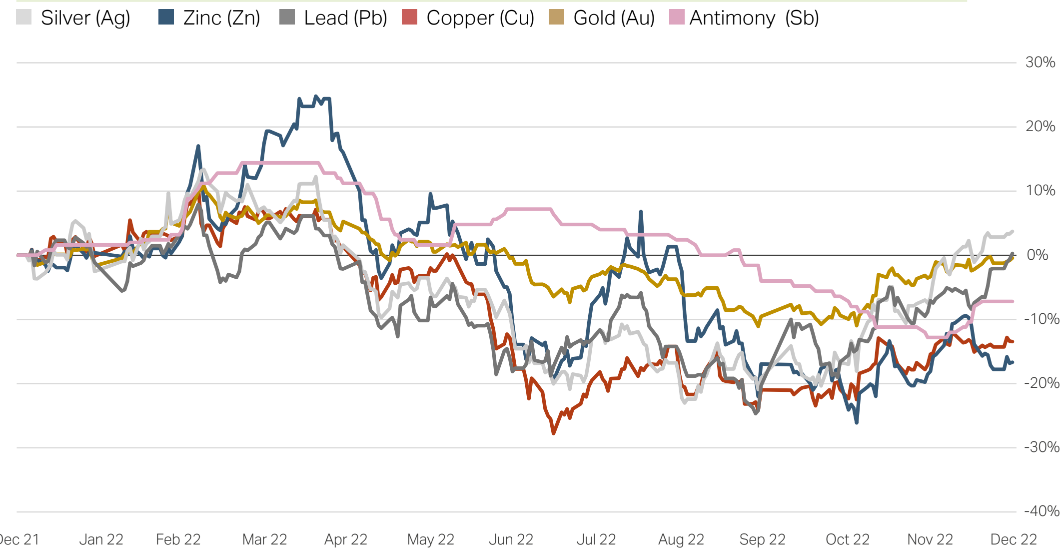
Commodity prices can significantly fluctuate and are exposed to numerous factors beyond the control of the Company such as world demand for precious and other metals, forward selling by producers, and production cost levels in major metal producing regions. Other factors that can affect commodity prices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

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

LOM average revenue split by commodity from 2021 Definitive Feasibility Study



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



Silver (Ag)

Silver appreciated by 3.7% making it the best performing metal of the commodities considered here. In 2022 the silver price reached a high of $26.2/oz and low of $17.8/oz in March and September respectively.

Zinc (Zn)

In the 12 months from 31 December 2021 to 31 December 2022 the zinc price averaged $3,491/t. Out of the metals considered here, zinc had the weakest performance, depreciating by 16.7%. The metal peaked in April at $4,530, dropped to a low of $2,682 in October and ended 2022 at $3,025/t.

Lead (Pb)

The lead price has appreciated by 0.3% in the 12 months from 31 December 2021. The metal averaged $2,159/t over the year which remained above its post-Covid-19 low of $1,577/t. The price at the end of 2022 was $2,335/t.

Copper (Cu)

During the 12 months from 31 December 2021 the copper price has depreciated by 13.5%. After reaching a high of $10,730/t in March, the price declined to a low of $7,000/t recovering to $8,390/t by the end of 2022. Most of this decline has occurred since the start of June 2022 as recession fears have gripped the market. For the 12 months the copper price has averaged $8,827/t.

Gold (Au)

The gold price ended 2022 flat, depreciating just 0.4% over the 12 months from 31 December 2021 and averaging $1,804/oz. In 2022, gold reached its highest price of $2,017/oz in March, before falling to a low of $1,618/oz at the end of September. Since then the precious metal recovered to $1,812/oz by the end of 2022. Gold followed the turbulent trend seen with other metals in 2022 but with less extreme swings.

Antimony (Sb)

(price delivered to Rotterdam of 99.65% ingots)

The antimony price has decreased by 7% over the 12 months of 2022 ending at $11,600/t at the end of the year. During 2022 the metal peaked at $14,300/t in April and averaged $12,740/t for the year.

Financial review

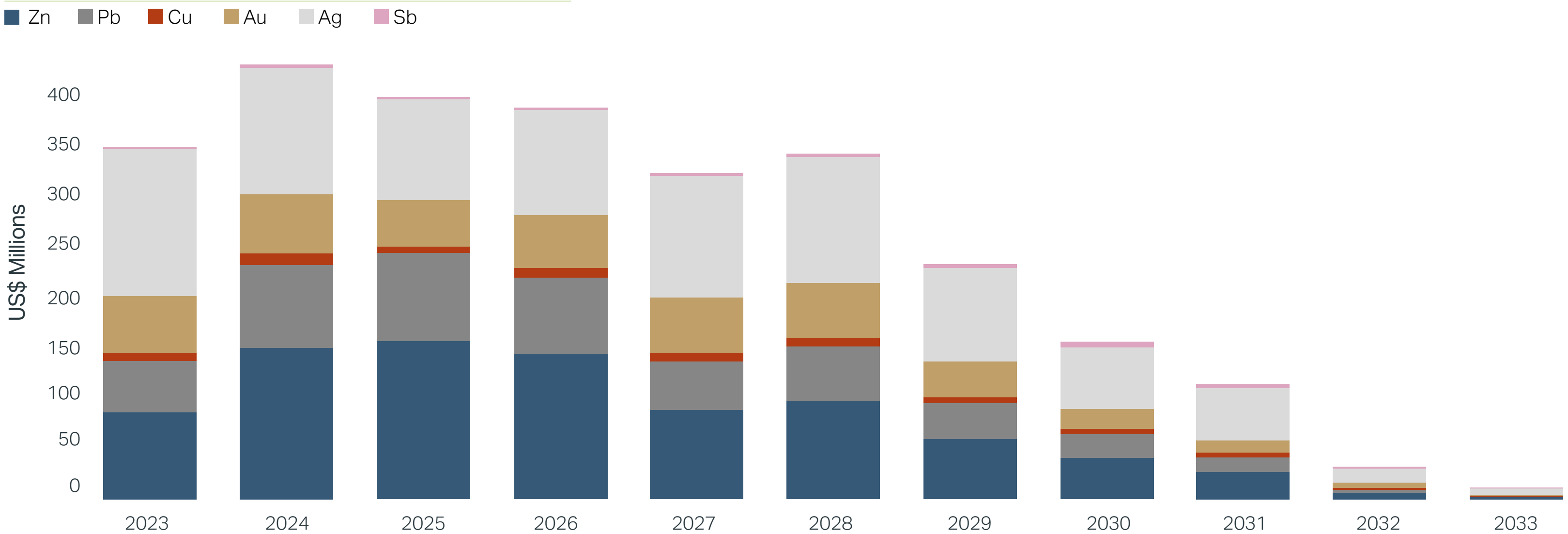
Resilient through cycles

Financial analysis – from 2021 Definitive Feasibility Study

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

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

Revenue split by metal over LOM from 2021 Definitive Feasibility Study



Principal risks and uncertainties

Enterprise risk management

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

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

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

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

a. Financial controls

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

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

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

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

In December 2021, Ausenco Engineering Canada Inc was appointed as the engineering and procurement contractor for the Project. Ausenco was first engaged by the Company in Q4 2019 as the engineering consultant for the delivery of the 2020 Pre-Feasibility Study ("PFS"). It was subsequently retained for the Definitive Feasibility Study the following year. The preservation of knowledge and experience from the 2021 DFS and 2020 PFS has been a major advantage in the swift transition of the Project through the detailed engineering phase towards completion of construction.

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

b. Internal controls

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

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

c. Risk management policy

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

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

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

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

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

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

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

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

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

Enterprise risk management

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

d. Principal Risks

The following risks are those that the Group considers could have the most serious adverse effect on its performance and reputation. An assessment of each of the risks below has been made to determine whether they have changed during the year. The Group has concluded that except for certain risks indicated below which it considers have reduced, there has been no material change in the risks described below, compared with the prior year.

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

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

While the Company's strategy is to commence concentrate production of the Vares Project in Q3 2023, the Company currently has no producing assets. Therefore, it does not currently generate positive cash flow and has incurred losses since inception.

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

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

Development of the Vares Project

The principal risks relating to the remaining development of the Vares Project are discussed below:

- unforeseen escalation in anticipated costs of development including adverse currency movements;
- longer than expected delivery times for key equipment and other delays to construction, including the impact of supply chain fragility resulting from the Covid-19 pandemic and/or the continuing geopolitical tensions between Europe and Russia;
- adverse ground conditions and slow advance rates during the development of the upper and lower declines;
- difficulties in commissioning the plant and equipment;
- difficulties or delays experienced by the state rail operator of Bosnia and Herzegovina in preparing the railway line for the movement and storage of concentrates from the Vares Railhead to the port of Ploce;
- adverse developments regarding the infrastructure required at the deep-water port of Ploce in Croatia required for shipping of concentrates to smelters;
- non-performance by third party construction consultants and contractors;
- civil unrest in or around the development sites and supply routes; and
- failure to satisfy any remaining conditions to draw down of the third and fourth tranches of the Orion Senior Secured Debt.

Despite difficult global macroeconomic conditions, the Company's project team has continued to progress the Vares Project to schedule with only a modest increase in cost. Significant inflationary pressures, notably higher diesel prices, have been largely offset by well-planned procurement processes and intelligent execution of engineering design. In addition, it has increased the use of local suppliers with the result that the large majority of costs are in Euros or Bosnian Marks which is pegged to the Euro. During 2022, Project costs benefited from the stronger US dollar which meant local costs were lower in dollar terms for most of 2022, but these currencies have strengthened recently. Following the drawdown of $82.5m of the Orion Debt Finance Package, the Company has therefore adjusted its cash holdings to match the expected expenditure currency profile for the remainder of the Project and the large majority is now held in Euros or Bosnian Marks. The large majority of capital expenditure is awarded, pending award or recently quoted and the Company therefore sees no reason that the Project cannot be delivered on time, and expects that a relatively small increase in construction costs can be funded out of existing treasury.

During the year, the Company did not experience any material disruption to the development due to Covid-19 or supply chain issues and does not currently expect any to occur during the remainder of the Project. The Company continues to monitor the situation in Ukraine and the associated impact on fuel and energy costs.

The ground conditions at the start of the declines were as expected, and support consisting of steel arch sets, bolting, meshing and fibre-crete were required. As mining advanced away from the weathered, near surface ground into more competent rock, advance rates increased but the need for extensive ground support continues in some areas.

The Company has a commissioning plan, including internal resources and additional external specialists, designed to ensure a successful commissioning.

During the year, reviews took place of the rail line sections requiring upgrade between Vares Majdan and Breza and the railhead facilities at Vares Majdan, and BiH Railways considers the sections that require upgrading can be completed within a short timescale. A site visit to the deep-water port of Ploce in Croatia took place in the first half of the year and a technical review of the port of Ploce's facilities was conducted in December 2022. The port operates at about 50% capacity at both its bulk and container terminals. The bulk terminal is currently only used for coal and scrap steel exports. However, in recent history the wharf used to ship bulk cargoes of bauxite, iron ore, lead and zinc concentrates. Therefore, it is not expected that any major upgrades will be required.

The Company continues to work with internationally experienced technical consultants to deliver on its development plan for the Project and to mitigate development risks where possible through the use of industry best practice and the recruitment of capable, experienced staff and contractors.

The Company has completed the drawdown of $82.5m of the $142.5m Orion Debt Finance Package and remains confident of satisfying all conditions required to draw down the remaining $60m of the Senior Secured Debt when required.

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Operation of the Vares Mine

The principal risks relating to operation of the Vares Mine following completion of its development are as follows. In the event that any of these potential risks arise, the Company's operational and financial performance may be adversely affected. This includes, but is not limited to:

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

Reliance on infrastructure

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

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

The processing of ore at the Vares Processing Plant requires the supply of power from the Bosnian State energy provider. Any power outage, disruption or shortage in power supply available to the Group's operations could therefore have a material adverse impact on the Group's production and employee safety. Whilst back-up power can be provided on site by mobile diesel generators, operating such generators would increase the Group's overall operating costs and its exposure to fuel prices as well as increasing greenhouse gas emissions. To mitigate these risks, the Company plans to develop its own renewable energy capacity including solar and wind power and has signed a MoU with a Norwegian renewable energy supplier, Emergy, for cooperation on the development of a 30 MW solar facility for direct supply to the Vares Processing Plant.

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

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

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

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

Reliance on third-party contractors

The Company has already entered into agreements for all long lead equipment and with third-party providers for various services, notably contract mining and transportation of ore and tailings between Rupice and the Vares Processing Plant and transportation of concentrate from the plant to the railhead. It is also at an advanced state of discussions with the Bosnian State rail operator, the Bosnian state electricity provider and the Ploce port operator.

Although the Company is confident of doing so, there can be no assurance that the Company will be able to secure the provision of all the remaining services and equipment required in a timely manner or on commercial terms currently expected (including as to cost).

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;
- any change to the terms on which these services are made available or by the lack of availability of key personnel or equipment; or
- 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

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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 companies' operations and/or financial performance.

Exploration

During the year, the Company achieved further success with its exploration programme at Vares, with strong drilling results both at the Rupice main ore body and at Rupice NW, which the Company believes will add significant mine life to the Project, serving to de-risk the project and its commercial viability.

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

The 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, unavailability of drilling rigs, insufficient or unreliable infrastructure (such as power, water and transport), unanticipated metallurgical problems which may affect extraction costs, industrial and environmental accidents, changing government regulations and many other factors beyond the control of the Company.

Change during the year: The Company considers there is now a lower risk that exploration will not result in an economic mineral resource or will not be economically exploited. The ore body extension discovery at Rupice NW has delivered high-grade results and the Company is confident that further drilling will prove Vares to be a Tier 1 asset, with a 20-year Life of Mine.

Mineral resource and ore reserve estimates

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

The Company follows industry standard Quality Assurance and Quality Control ("QA/QC") practices. Up to 2021 the Company engaged CSA Global and Mining Plus, both internationally recognised geological consultancy companies, to undertake resource estimates and reduce the inherent risks associated with resource and reserves estimation.
As of 2022, the services of AMC (Perth) were engaged for future resource estimation and sign-off on the QA/QC related to all resource block models and resultant estimates produced. As with CSA Global and Mining Plus, AMC is a globally recognised geological consultancy providing registered competent persons capable of completing and signing off on JORC standard resource estimates.

Environmental risks

The Company's activities are subject to the environmental laws and regulations applicable to 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 the requirements set out in the Company's Project Support Agreement with the European Bank for Reconstruction and Development. However, there can be no assurance that the systems and procedures implemented by the Company will be adequate to manage the environmental impact of its activities, and the Company may be the subject of environmental accidents or unforeseen circumstances that could subject it to extensive liability.

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

Climate change risks

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

Health and safety

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

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

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

As the operational risk profile has increased in line with the construction activity, the Company has strengthened its occupational health and safety systems, ramped up safety training, expanded the safety team and integrated health and safety into the operational culture, with the objective of ensuring that all employees return home safely at the end of each day.

Foreign exchange risk

Effective 1 January 2022, several Group entities changed their functional currency to US Dollars ("USD"), on the basis that the USD is a more widely recognised currency for the mining sector in which it operates and that its project finance debt package, offtake agreements and mining services contract are denominated in USD. The Company considers that this change gives investors and other key stakeholders a clearer understanding of the Company's performance over time.

However, a proportion of the Company's costs and expenses in Bosnia and Herzegovina and Serbia and other countries are likely to be in currencies other than the USD. Accordingly, the appreciation of these currencies relative to the USD could result in a translation loss on consolidation which is taken directly to shareholder equity. Conversely, the depreciation of these currencies relative to the USD could result in translation losses on non-USD cash holdings which is taken to Statement of Comprehensive Incomes.

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The majority of the Group's revenues once the Vares Mine is in production are expected to be earned in USD. For any revenues denominated in other currencies, any depreciation of these non-USD currencies relative to the USD will result in lower than anticipated revenue.

The Orion Debt Finance Package is denominated in US dollars. Any depreciation in the US dollar relative to the non-US dollar expenditure requirements of the Vares Project will therefore result in a reduction in the effective value of the funding received. Following the draw down of $82.5m of the Orion Debt Finance Package, the Company has mitigated this risk by adjusting its cash holdings to match the expected expenditure currency profile and the large majority is now held in Euros or Bosnian Marks. However, foreign exchange remains a material risk to the Group's future operations

Historic tailing storage facility

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

The Company has cooperated closely with the Municipality of Vares on this matter and while it is not required to do so, the Company has commissioned an independent expert appraisal of the Historic TSF, including assessment of its structural integrity and any associated environmental degradation. The water, air and dust monitoring during the ESIA process established baseline conditions around the Historic TSF and monitoring continues. A management plan will be developed to address any ongoing issues identified.

Community/NGO concerns affecting exploration/ operational activity

The Company continues to maintain an active, two-way dialogue with the communities surrounding the Project with the aim of mitigating the risk of potential opposition from environmental groups, local residents or others. This is primarily achieved through three channels: The Public Liaison Committee ("PLC"), the Vares Project Information Centre and the many staff that the Company employs from its local communities. The PLC consists of 28 members, was set up in July 2020 and meets on a quarterly basis. The Information Centre is a staffed location, open to the public, located centrally in the town of Vares and has been open since September 2019.

The community of Vares, government stakeholders and the wider audience in Bosnia and Herzegovina remain supportive of the Project. As the Project moves towards the end of construction, the Company is very conscious of its requirements to honour commitments made to date, most pressingly levels of employment and opportunity afforded to residents of the near-mine communities. A significant proportion of the Company's staff it employs is from the local communities of Vares, Breza and Kakanj. Another priority is the importance of carefully managing the contractors and sub-contractors engaged to build the Project to ensure that they also adhere to the highest standards of environmental, social and safety practices, and to rectify any issues arising through sincere and transparent communication and committed, prompt action. These efforts will continue during the remainder of the construction and then on an ongoing basis during future operations in order to honour commitments made, and thereby mitigate the risk posed by community or NGO concerns. The Company seeks to mitigate these risks through effective engagement with relevant stakeholders, including all levels of government and local communities.

An information centre has also opened in Raska, which, like Vares, is a community with a rich mining history and therefore broadly supportive of the Company's activities to date. The Company approaches its community and environmental obligations at Raska with the same commitment as at Vares.

Bribery and corruption

The Company's code of corporate governance specifies the measures the Company takes to comply with all applicable Anti- Bribery & Corruption legislation. The Board has responsibility for adherence, and management has implemented the Company's Anti-Bribery & Corruption Policy and provided training to all staff, with refresher training programmed as part of its HR management plan. A whistleblowing policy is in place, providing all staff the opportunity to disclose anonymously any infringement of the Company's codes, including incidences of bribery and corruption, directly to the Chair of the Audit & Risk Committee. There were no reported incidences in 2022.

Political instability

The Company acknowledges the potential impact of political instability and civil unrest in or around the Vares mine site, processing plant or its supply routes, or at its Raska Project, on its ability to advance the projects. To mitigate this risk, the Company closely monitors the national political situation and carefully considers every engagement with politicians (at all levels, including internationally).

In Q4 2021, Milorad Dodik, the president of Republika Srpska ("RS"), one of the constituent entities that form Bosnia and Herzegovina, started publicising secessionist rhetoric, which received national and international attention. RS subsequently withdrew temporarily from many of the federal institutions. Subsequently, however, the situation calmed, with RS returning to the federal institutions and an increased commitment on the part of the international community towards political and economic stability, most notably the European Union, United Kingdom and the United States of America. Federal, national and cantonal elections were held in October 2022 and, following a recount, Mr. Dodik was returned as president of RS. After the reporting period, the annual RS Day parade in Sarajevo East received media attention for its militaristic nature but without any significant traction in country. A number of western embassies continued to discourage nationalistic/ secessionist rhetoric and in December 2022 the EU confirmed Bosnia and Herzegovina's status as an EU accession candidate. In late December 2022, tensions rose along the Kosovo/Serbia border over the withdrawal of Serbian number plates from ethnic Serbs in Kosovo, resulting in militaristic posturing from Serbia and further attention in the international media. The borders were temporarily blocked, but within five days the barriers were removed.

The Company recognises that the political landscape in Bosnia after Russia's invasion of Ukraine remains complicated, but believes measures are in place to prevent any deviation from the Dayton Accords, whether externally instigated or not, and the Company does not consider the conflict in Ukraine to have a significant impact on its operations. The conflict is still ongoing at the date of this annual report and management will continue to assess the impact on its operations and seek to mitigate accordingly.

Mining concessions in Bosnia and Herzegovina and Serbia

The laws and regulations on mining in Bosnia and Herzegovina and Serbia are still developing and, as a result, some areas of the laws on mining are unclear. If the Company does not comply with the terms of agreement, it may be in default and the mining concession may be terminated, which would have adverse consequences for the Company's operational and financial performance.

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

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joint venture partners with carried or other interests. 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 the Company or its subsidiaries in Bosnia and Herzegovina and Serbia.

There is no guarantee that the Company will be able to obtain all required approvals, licences and permits relating to its exploration and subsequent exploitation activities. Notwithstanding these risks, the Company has made good progress in obtaining the permits it needs for development and preparation for operations.

Other country risks

In common with mining companies in any jurisdiction, the Company will be subject to other political, sovereign, economic and other risks and uncertainties associated with operating in Bosnia and Herzegovina, Serbia and any new countries it may enter in future.

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

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.

Company's Directors and senior managers

The Company relies heavily on a small number of key individuals, in particular the Directors, its senior management and consultants, including, among other matters, to manage and operate the Project and to develop and maintain effective engagement with government, regulatory authorities and communities in Bosnia and Herzegovina and Serbia. The Group's business may be negatively affected by the departure of any of these key individuals or any of a number of other key employees and the failure to attract suitable replacements. Although the Company has succeeded in attracting and retaining key personnel and is confident of continuing to do so, there can be no guarantee of this. The Company does, however, hold key person insurance in respect of the Directors.

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

Directors' section 172(1) statement (stakeholder engagement)

Working and communicating with our stakeholders

The Board is mindful of its duties under Section 172 of the Companies Act 2006, which mandates that the directors of a company must promote the success of the company for the benefit of its members as a whole. The Directors consider various factors, including the interests of the Company's employees, its customers and suppliers, the impact of the Company's operations on the community and environment, the need to maintain a reputation for high standards of business conduct, and the long term consequences of decisions.

Adriatic continually communicates and collaborates with individuals or groups that have an interest or impact on the organisation. Through both formal and informal engagement, the objective is to understand and respond to the needs and concerns of stakeholders, and to work together to find mutually beneficial solutions.

The Board acknowledges the importance of forming and retaining constructive relationships with all stakeholder groups. Effective engagement with stakeholders provides valuable feedback and insights, enabling Directors to ensure stakeholder interests are considered when making decisions, and is crucial for achieving the long term success of the Company.

The Company continuously interacts with a variety of stakeholders including shareholders, debt providers, staff, national, cantonal and municipal government administrative and environmental bodies, NGOs, the local community and suppliers. In its engagement with shareholders, Adriatic endeavours to strike a proper balance between open communication and the need to keep commercially sensitive information confidential.

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

Corporate engagement can take many forms, including surveys, focus groups, town hall meetings and one-on-one conversations. It is a key aspect of corporate social responsibility and is often considered essential for companies seeking to build and maintain a positive reputation and achieve long term success.

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

- Investor presentations
- Technical reports on the Project
- Resource estimates
- Drilling updates
- Annual and Interim Financial Statements
- Sustainability Reports
- Quarterly Activities Reports
- Business strategy
- Governance material including the Corporate Governance Manual and Anti-Bribery Policy
- All regulatory and other announcements relating to equity issues, Board changes, etc.
- Shareholder information (annual general meeting, etc.)
- Contact details for the Company

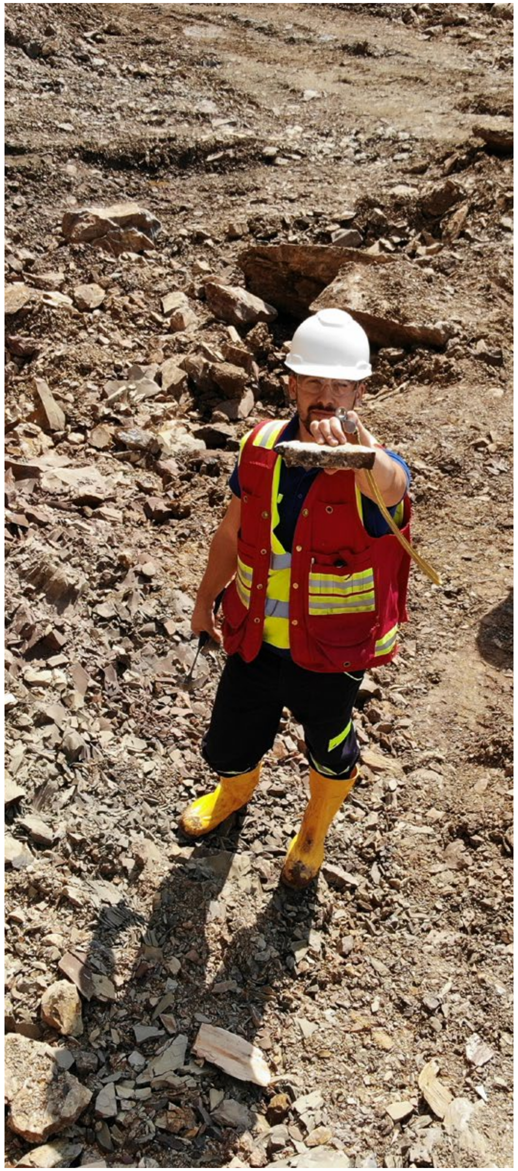
Shareholders

The Company acknowledges that the majority of its private investors hold their shares via nominee shareholders and may not be able to fully exploit their shareholder rights effectively. Accordingly, the Company is committed to engaging with all shareholders and not just institutional shareholders. The Company has a Head of Investor Relations, based in London, who deals with shareholder enquiries and works in conjunction with the Company's public relations advisers to facilitate engagement.

Board review

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

The Company's annual general meeting will be held in London, following the publication of its annual results and after issue of the Notice of Annual General Meeting, and all shareholders are invited to attend.



Working and communicating with our stakeholders

Local stakeholders

Adriatic recognises that its activities and the forthcoming commissioning of the Vares Project create significant potential impacts on, as well as opportunities for, local people. The ongoing management of environmental and social issues is based on an international standard of ESIA. In addition, the Company is committed to regular consultation and engagement with the community, including through a Community Information Centre and a Public Liaison Committee.

Version 7 of the Company's Stakeholder Engagement Plan has been published, incorporating the feedback received during the ESIA disclosure period.

The following table sets out the Company's key stakeholder groups, how the Company has engaged them during the year and describes how the Directors have engaged in regard to the matters set out in section 172(1)(a)-(f) of the Companies Act 2006.

Key Stakeholder groups	Key topics raised	How and why we engage	Engagement outcomes
Shareholders Current or potential individuals or Current or potential individuals or entities that may own shares have a financial interest in its performance through changes in share price or payment of dividends. Shareholders also have the right to vote on certain important matters, such as the election of directors and approval of major corporate actions such as mergers and acquisitions.	As the Company progresses through the development cycle and into production, shareholders have raised the following topics: Construction progress on the Vares Project Geopolitical impacts on supply chain and sourcing of materials Inflationary impact on cost of materials Climate change / TCFD reporting Board diversity Executive remuneration versus targets	The Company maintains a regular dialogue with investors, providing them with such information on the Company's progress as commercial confidentiality, market abuse rules and other legal requirements permit. The Company typically holds meetings with institutional investors and other large shareholders following the release of major news flow, interim and annual financial results. The key mechanisms of engagement included: The Annual General Meeting Annual and Interim Results Sustainability Report Investor roadshows and presentations One-on-one investor meetings with the Chairman, CEO and CFO Access to the Company's brokers and advisers Regular news and Project updates Social media posts Site visits for existing and potential cornerstone investors and equity analysts Shareholders with queries are encouraged to contact Klara Kaczmarek, the Company's Head of Investor Relations, at klara.kaczmarek@adriaticmetals.com	The Company has engaged with investors on topics of strategy, governance, project updates and performance. In addition to a number of investor roadshows and one-to-one meetings, the Company conducted a capital markets site visit in October 2022 that hosted over 30 investors and analysts for them to directly experience the progress of the Vares Project and understand more about the development process.

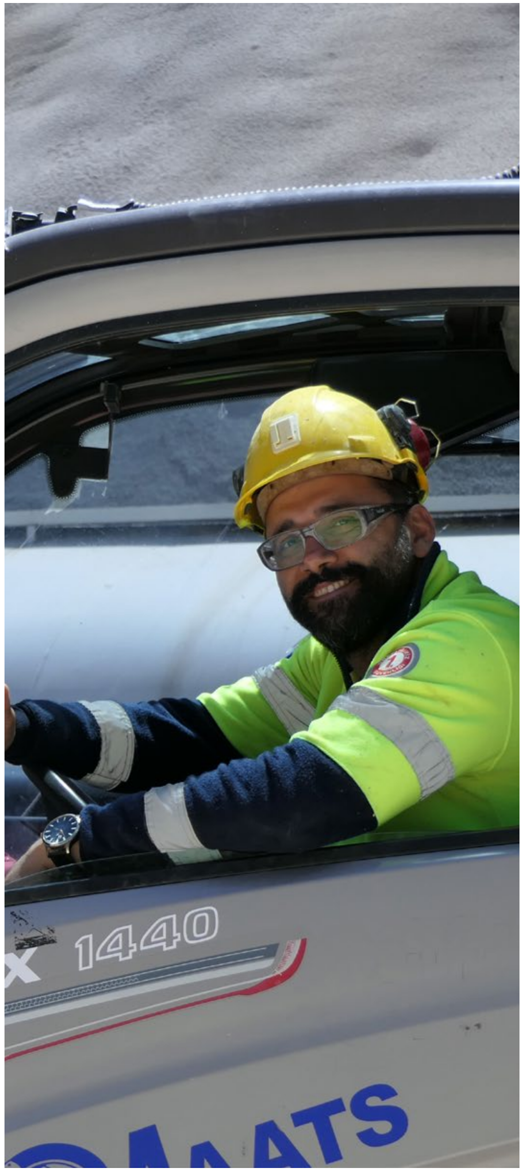
Directors' section 172(1) statement (stakeholder engagement)

Working and communicating with our stakeholders

Key Stakeholder groups	Key topics raised	How and why we engage	Engagement outcomes
Existing and potential future debt providers Individuals or entities that provide loans to fund operations and finance growth in exchange for fixed income payments, such as interest and principal repayments.	The Orion Debt Finance Package agreements contain a number of financial and other Project-related reporting obligations that the Company must comply with on a regular basis; and has done so during the year.	The Company has $20m of convertible debt in place issued to Queens Road Capital Investment Limited on 1 December 2020. The Company also has a $142.5m debt financing package with Orion that was completed in January 2022. During the year, one-to-one meetings with the CEO and/or CFO were undertaken on a regular basis to provide regular updates on progress of the Vares Project. Following completion of the Orion Debt Finance Package, routine operational and financial performance reporting has been provided to Orion in 2022 (and on an ongoing basis). Regular technical team meetings take place between the Company and Orion throughout the construction phase of the Vares Project. The CEO and CFO maintain regular and open communications with both Orion and Queens Road Capital, as well as external consultants, on an ongoing basis.	In December 2022, all conditions precedent for the first tranche of $30m of the $142.5m Orion Debt Finance Package were satisfied and funds received. There was no requirement in 2022 to redeem the $20m convertible debt from Queen's Road Capital Investment Ltd, thereby ensuring additional funds available for Project financing if required. The Debt Finance Package from Orion includes a donation to the Adriatic Foundation comprising one or more annual payments of $100,000 each (pro-rated where relevant) from the repayments of the Senior Secured Debt during the repayment period

Directors' section 172(1) statement (stakeholder engagement)

Working and communicating with our stakeholders



Key Stakeholder groups	Key topics raised	How and why we engage	Engagement outcomes
Workforce Employees are critical to Adriatic's culture and have a vested interest in the Company's success. Employees have a direct impact on the Company's performance and can also be impacted by its decisions.	Employees have raised a number of topics during the course of the year, including: Compensation and benefits Health and safety protocols and training Professional career growth and personal development Diversity and inclusion Opportunities for female empowerment	Adriatic maintains an open line of communication between its employees, senior management and Board. The Group monitors health and safety on a daily basis and reports performance of lost time injury and frequency rates. The Group undertakes annual group-wide employee surveys to capture important insights and monitor workforce satisfaction. The CEO and CFO report regularly to the Board, including the provision of board information. Key members of the finance team are invited to the Audit & Risk Committee meetings. There is a formalised employee induction into the Company's corporate governance policies and procedures. Senior management regularly visit the operations in Bosnia and Herzegovina and Serbia and engage with employees through one-on-one and staff meetings, employee events and Project updates. Adriatic can benefit from engaging with and prioritising the needs of employees. This can lead to increased employee satisfaction, motivation, and loyalty, which can positively impact the Company's performance and success.	In 2022, we introduced a formalised HR system and team to build capability and support the workforce. **Health & safety** The Company maintained an excellent safety record during the year. The lost time injury frequency rate ("LTIFR") at the end of Q4 was 1.03 per 200,000 hours worked. The Company also established a robust health and safety framework and initiated the 'iAuditor' Safety Culture platform to improve monitoring and measurement. **Training** 2022 included a focus on upskilling of employees, including culture and competence training. A mentoring programme was also initiated to impart knowledge from experienced personnel to provide guidance, support and advice to junior members of staff. **Diversity** The Company has maintained a strong level of female representation in the workforce of 29%. In addition, Almedina Likić, Information Centre Associate was recognised for her contribution in Women in Mining UK 2022 100 inspirational women. **Employee Survey outcome** In October 2022 an Employee Survey was conducted to gauge the performance of senior management's delivery of the Company's values and visions. Participation of the survey was at 84% with 80% providing favourable feedback and 14% providing neutral. 91% of respondents were proud to work for the Company and 89% would recommend Adriatic as a great place to work

Directors’ section 172(1) statement (stakeholder engagement)

Working and communicating with our stakeholders

Key Stakeholder groups	Key topics raised	How and why we engage	Engagement outcomes
Governmental and NGO bodies Adriatic maintains strong working relationships with governmental representatives at all levels in the host regions where we operate, to foster continual dialogue and build trust. Governmental bodies are critical in determining local regulations and can influence decision-making through their input, feedback, advocacy and policies. We also engage with independent, non-governmental organisations that focus on socio-political and environmental goals such as human rights, education, business ethics, health, safety and biodiversity preservation.	A number of areas were raised and discussed during the course of the year, including: Construction progress at the Vares Project Socio-economic development in the Vares region including concessionary payments Environmental impacts associated with construction including the remediation of water quality in local river courses resulting from Rupice surface infrastructure and haul road construction Regional business benefits resulting from local procurement	The Company engages with local (Municipal), regional (Cantonal) and national (Federal) government in Bosnia and Herzegovina. In Serbia the Company engages with local (Municipal) and national government. In addition to statutory reporting the Company regularly updates the government departments and that open, continuous engagement is key to developing a successful permitting regime. The Country Managers report regularly to the Board on progress with obtaining licences and permits. Adriatic is committed to being a long term actor in both Bosnia and Herzegovina and Serbia with a firm commitment to each country’s sustainable development. We are committed to conducting our relationships on the basis of transparency, partnership, integrity and shared prosperity.	**Bosnia and Herzegovina** During 2022 the following licences and permits applications were successfully completed: Concession agreement Saski Do 04-14-5359-3/22 received 19.07.2022; Annex VI of Concession Agreement 04-14-5757-2/22 received 19.07.2022; Proof of meeting the minimum conditions for performing work in the mining industry UP1-16-14-2-05289/2022-16-3 received 08.07.2022; The main mining project - underground exploitation of the deposit of complex ore - Rupice 06-14-1-740/21 received 06.01.2022; Supplementary mining project - Creation of capital premises for the opening of the pit “Rupice” 06-14-1-253/22 received 10.05.2022; Supplementary mining project - Construction of access roads and Rupice plateau 06-14-1-208/22 received 18.04.2022; Supplementary mining project - Construction of backfill plant and access road to Rupice 06-14-1-264/2 received 20.05.2022; Main mining project - Tisovci processing plant 06-14-1-240/22 received 28.04.2022; and Supplementary mining project - Construction of Rupice plateau and crushers 06-14-1-526/22 received 28.09.2022. **Serbia** During 2022 the following licence applications were successfully made: Decision on transfer of the approval for geological exploration-Kaznovice no. 310-02-01670/2021-02, dated 16 June 2022, received 12 August 2022 (GMR to Ras Metals); Decision on transfer of the approval for geological exploration-Kremice no. 310-02-01114/2015-02, dated 27 June 2022, received 16 August 2022 (Taor to Ras Metals); Decision on extension of the approval for geological exploration Suva ruda (Deep Research) no. 310-02-01114/2015-02, dated 15 September 2022, received 24 October 2022; and Decision on adoption of the annex on the project of geological exploration-Kaznovice no. 310-02-01670/2021-02, dated 19 October 2022, received 18th November 2022 (Adriatic Metals).

Directors' section 172(1) statement (stakeholder engagement)

Working and communicating with our stakeholders

Key Stakeholder groups	Key topics raised	How and why we engage	Engagement outcomes
Community Establishing and maintaining good relations with the local community throughout the development, operation and ultimately closure of the mine is vital for the Company's social licence to operate. Principally, the Company needs to engage with its affected communities in order to build trust. Community engagement will inform better decision making, particularly during the Project development stage. **Bosnia and Herzegovina** The near-mine communities in Vares and Kakanj and the wider population of the municipalities and Canton of Zenica-Doboj. **Serbia** The near-mine communities in the Municipality of Raska, the national park of Kopaonik (which borders the North-eastern extremities of the licence areas) and the wider population of both Southwest Serbia and Northern Kosovo.	As Adriatic is progressing through the project development process, the Company is starting to have significant social, economic and environmental impacts on the local community and surrounding area, leading to questions around: Employment opportunities Community development plans including provision of local services Local supplier enquiries Applications to the Adriatic Foundation Donations and other initiatives	**Bosnia and Herzegovina** Following earlier household surveys as part of the ESIA consultation, Adriatic management continues engagement through the Vares Information Centre and Public Liaison Committee, proving an excellent forum for community feedback. This includes dissemination of Project developments, the advertisement of the public consultations and the Company's approach to sustainability. Social, print, radio and television media platforms have all been utilised. A bi-weekly interview with members of staff is broadcast on Radio Bobovac, which is listened to by approximately 80% of the residents of Vares. **Serbia** The blueprint of Community Engagement developed in Bosnia and Herzegovina is being rolled out in Serbia. Following an initial public consultation and the opening of the Information Centre in the town of Raska, a Public Liaison Committee was created in 2022. **Procurement and contracting** The Company employs the majority of its current (and future) staff from the municipality of Vares and, as the Company approaches the build phase of the Project, a Local Business Development Officer has been appointed to engage with local suppliers and contractors.	**Bosnia and Herzegovina** The Information Centre has received over 2,400 visits in 2022, double the 2021 amount, with visits predominately about job opportunities and funding of local initiatives. The 2021 household survey had identified a clear lack of sufficient healthcare provision. In May 2022 Adriatic therefore opened the Eurofarm Polyclinic in Vares for the use of both employees and the community. Our Media Coordinator has been responsible for the increase in social media flow associated with the Project including 48 Facebook posts and 11 video updates. The Public Liaison Committee, a panel of 28 community volunteers met four times during the year. A Project site visit provided attendees with a detailed presentation about the findings and proposed mitigation measures identified during the ESIA. To track our progress in local community engagement, we established a Commitments Register which lists all the actions that need to be undertaken by the Company with respect to social and environmental issues. In December 2022, Adriatic helped mark Miners' Day by organising municipality celebrations. **Serbia** The Company's relations with the Community of Raska have been maintained successfully during the year. With a relatively low operational footprint in the community, the Company's focus remains on the smaller communities adjacent to the exploration activities. The Information Centre, opened in late 2021, provides a focus for wider community engagement and welcomes a steady flow of interest; at this stage of the project most visitors are enquiring about employment opportunities or making sponsorship or financial support requests.

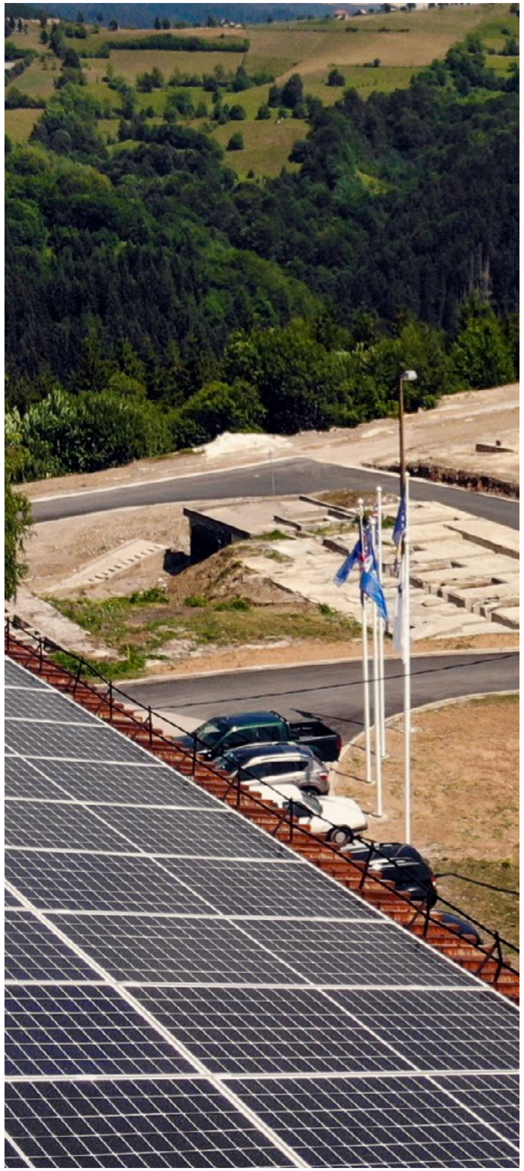
Directors' section 172(1) statement (stakeholder engagement)

Working and communicating with our stakeholders

Key Stakeholder groups	Key topics raised	How and why we engage	Engagement outcomes
Suppliers Suppliers are fundamental to ensuring that Adriatic can construct the Vares Project on time and on budget. Using quality suppliers ensures that the Company can meet the highest standards of performance and safety across all areas of the business, including contractors and sub-contractors.	Both during and after the construction phase of the Vares Project, Adriatic will engage with key suppliers under commercial engineering and supply contracts to deliver the mine and plant equipment and support ongoing production. Key areas of discussion currently include: Supplier code of conduct Procurement opportunities Supplier screening criteria Material cost inflation	The procurement team has undertaken the pre-qualification of several engineering providers and mining contractors, with engagement including: One-on-one meetings between management and suppliers Contact with procurement departments and accounts payable Membership of Cantonal and National Chambers of Commerce Presentations at National trade events and forums At a local level, the Company has also engaged and partnered with smaller companies, some of which are independent or family run businesses..	**Bosnia and Herzegovina** Adriatic commenced a series of workshops with local vendors with the purpose of addressing business experience gaps, providing motivational sessions, business plan support and introductions to potential funding partners. Adriatic hosted EBRD, World Bank, Swiss and British Embassies, British-Bosnian Chamber of Commerce and the UNDP to promote confidence in investing in local businesses.

Principal decisions by the Board during the period

High standards of business conduct



The Company defines principal decisions as those which potentially have a long term strategic impact and are material to the Group, and/or are significant to key stakeholder groups.

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

a. Closing of the Orion Debt Finance Package

In December 2022, the Board approved the entering into of additional agreements and documents to facilitate the closing of the Orion Debt Finance Package.

All conditions precedent to drawdown of the first tranche of $30m of the Senior Secured Debt were completed and draw down took place in late December 2022, as announced to the market on the 30 December 2022. Drawdown of the second tranche of $30m of the Senior Secured Debt as well as the Copper Stream deposit of $22.5m took place in February 2023, as announced to the market on 13 February 2023. The third and fourth tranches under the Senior Secured Debt will be drawn down as required during 2023.

Previously, following an extensive process undertaken by management, the Board approved a Project Finance Package of approximately $244.5m, before expenses, for the construction of the Vares Project which was announced to the market on 13 October 2021 as follows:

Adriatic Metals and Orion Resource Partners (UK) LLP signed a term sheet for a $142.5m Debt Finance Package, comprising of:

- $120m senior secured debt; and
- $22.5m copper stream.

In addition to the Orion Debt Finance Package, the Company completed an equity raise in October 2021 of approximately $102m, consisting of:

- a conditional placing of approximately $52m (the “Placing”), conducted through an accelerated bookbuild process (a method whereby the offering of new shares occurs over a short period);
- a conditional equity subscription for $50m by Orion (the “Orion Equity Subscription”).

Together, the Orion Debt Finance Package of $142.5m, the Orion Equity Subscription of $52m and the Placing of $50m form the $244.5m Orion Project Finance Package.

Definitive documentation for the Orion Debt Finance Package was approved by the Board on 8 January 2022 and completed on 10 January 2022, as announced to the market on the same date.

b. Approval of Offtake Agreements

The Company agreed heads of terms with four international commodities trading and smelting companies (“Offtakers”) for the purchase of concentrate production from the Vares Project, subject to final contract negotiations, as announced to the market on 20 April 2022. Allocation to the Offtakers was agreed as follows:

Zinc concentrate to Trafigura Pte Ltd, Transamine SA and Boliden AB; and

Silver-lead concentrate to Glencore International AG and Transamine SA.

The final Offtake Agreements have been finalised and executed with each of the Offtakers, who have been allocated a substantial portion of the total projected concentrate production over the first 24 months. The remaining portion of concentrate production not included within the Offtake Agreements has been intentionally allocated for either advantageous spot market sales or for additional long term offtake agreements to be agreed at a later date.

c. Major Project Agreements

The Board ratified the December 2021 appointment of Ausenco Engineering Canada Inc. as the engineering and procurement contractor for the Project. The Board also supported the June 2022 appointment of Nova Mining & Construction d.o.o. as the mining services contractor for the Project.

d. Sustainability Report

The Company engaged Buchanan to prepare its maiden Sustainability Report for 2022, which will provide further detail on the strategy to become a Net Zero mine, in addition to current sustainability performance. The Sustainability Report is expected to be published in Q2 2023.

e. Change to Trading Policy and Dealing Code

The Board approved amendments to the Company’s Trading Policy and Dealing Code, which was lodged with the ASX in accordance with ASX Listing Rule 12.10, as announced to the market on 22 April 2022 .

f. Appointment of new Chief Financial Officer

The Company appointed Mike Norris, who has over 30 years commercial and operational experience in the mining industry, as the Company’s new Chief Financial Officer, as announced to the market on 14 March 2022.

Standards and commitments

Our approach to sustainability

This sustainability section presents a summary of Adriatic's performance in 2022. Information is provided that demonstrates how sustainable development contributes to the Company's long term success and how value is created for stakeholders including employees, local communities, contractors and shareholders.

Sustainability policy

Adriatic's Sustainability Policy regulates and provides guidance for the Company's and its subsidiaries' management of activities to minimise adverse workforce, community or environmental impacts and to realise opportunities in these areas. The Company recognises that its principal concern must be the wellbeing of its people, whether employees, contractors, consultants, affected near-mine persons and communities or other stakeholders. The health and safety of those persons, and the sustainability of the environment in which they work or live, is a critical factor in measuring the long term success of the Company's business and, therefore, also for its investors. The Company is committed to implementing and maintaining the best practical standards of governance and transparency.

The Company also recognises the importance of the impact of its operations on climate change, use of land, water quality and availability and biodiversity. The overall objective is to ensure that communities where Adriatic works are ultimately enhanced by its presence.

Basis of preparation

This report has been developed in accordance with legal requirements such as Streamlined Energy and Carbon Reporting ("SECR"), TCFD, Companies Act and Bosnian Mining Law. References to the recommended TCFD disclosures are incorporated throughout this report (where you can see the logo), a full index table can be found in the appendix on page 65.

Disclosures have largely been shaped by the ESIA carried out in 2021, developed in accordance with the World Bank's International Finance Corporation ("IFC") guidelines and Equator Principles, and are the benchmark reporting standard agreed with investors the European Bank for Reconstruction and Development ("EBRD").

This report is further guided by leading voluntary sustainability disclosures including the Global Reporting Initiative ("GRI"), Carbon Disclosure Project ("CDP""), Net Zero, Science Based Targets initiative ("SBTi") and the sector specific International Council on Mining and Metals ("ICMM").

Unless clearly stated, all sustainability disclosures are related to operations in Bosnia and Herzegovina, where impacts are most evident and material.

Global Reporting Initiative (GRI)
Standards enable understanding and reporting on impacts on the economy, environment and people in a comparable and credible way, thereby increasing transparency on their contribution to sustainable development

Sustainability Accounting Standards Board (SASB)
SASB Standards identify the subset of environmental, social and governance issues most relevant to financial performance and enterprise value. SASB is now part of the IFRS Foundation and integration agenda of sustainability.

International Finance Corporation (IFC)
ESIA delivered in conformance with IFC's performance standards as agreed with EBRD..

International Council on Metals & Mining (ICMM)
10 Principles for sustainable development to set a standard of ethical performance. Adopted by London Metals Exchange as certified standards as well as Boliden.

Carbon Disclosure Project (CDP)
A not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmenta limpacts.

Equator Principles
Voluntary guidelines adopted to ensure that large scale development or construction projects appropriately consider the associated potential impacts on the natural environment and the affected communities.

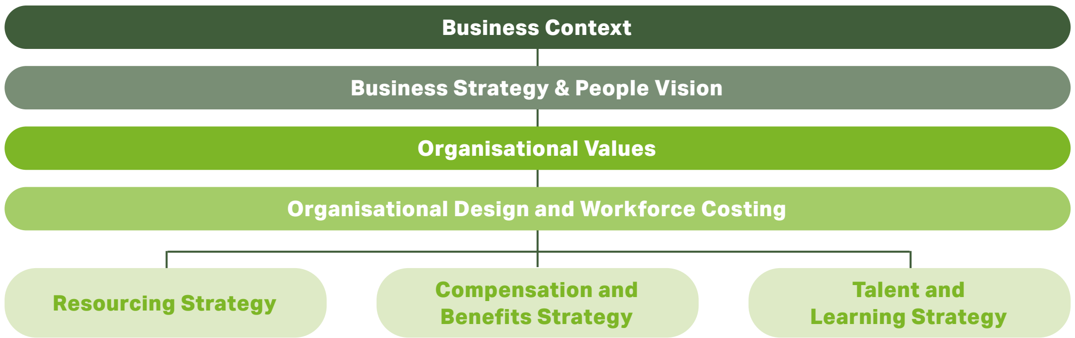
Taskforce on Climate-Related Financial Disclosures (TCFD)
TaskForce on Climate-related Financial Disclosures, a guidance framework that helps companies disclose climate-related financial risks to investors, lenders and insurers.

European Bank for Reconstruction & Development (EBRD)
Guidance framework that helps companies disclose climate-related financial risks to investors, lenders, and insurers.

Sustainability

Creating a ready workforce

Workforce Management system



By laying the right foundations, Adriatic is building a business that will see long term success. This has been addressed through the development of a robust management structure that considers all facets of the organisation and follows best practice in establishing the required policies and procedures. This enables the Company to minimise potential risks and future-proof the business.

Human resources ("HR") in the mining sector has traditionally been treated as an adjacent, non-core support function. Things are done differently at Adriatic; the Company believes that HR is an integral business function and as such should be incorporated into the central business strategy, directly aligned with corporate objectives. By embedding HR functions into the business in this way, Adriatic can develop a collective understanding of the Company vision and ensure that everyone is working towards the same goal.

"We were seeking longevity and reliability in establishing the HR function. We were not building it around one individual, but instead creating a lasting structure, and by doing the preparatory work now to ensure we are ahead of the curve with regard to stakeholder expectations, we are setting the business up for success and supporting our overriding objective of getting a ready workforce for day one of operations."

Lachlan Spicer
Head HR Consultant

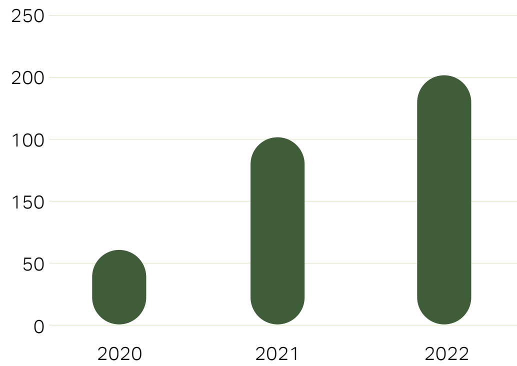
Building a team

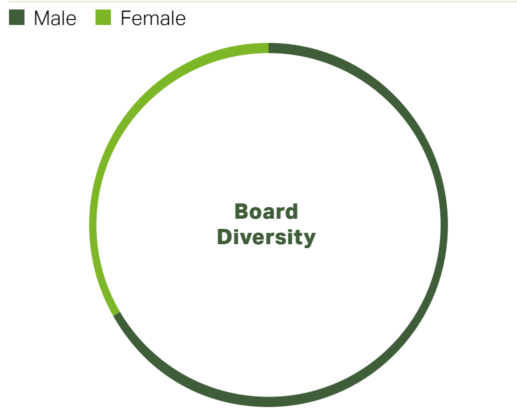
Equipped with a clear understanding of the corporate objectives and the role of HR in achieving them, Adriatic has assembled a team of individuals who are best placed to deliver the workforce vision. Rather than recruiting a group of HR professionals, the Company instead enlisted experienced specialists who possess the required depth of understanding in areas such as psychology and law. This allows Adriatic to address key areas of the HR function in turn, assigning a member of the team to lead on a specific objective, and avoid overstaffing or overlapping skillsets.

"I am really proud to say that we have a brilliant HR team. There is an enthusiasm and energy in our team that makes it such a great environment to work in and we always jump at the opportunity to help each other. By having a modern approach with each of us being responsible for our own aspect of HR, I think we have created a dynamic and effective function."

Hanadi Željo,
HR Senior Consultant

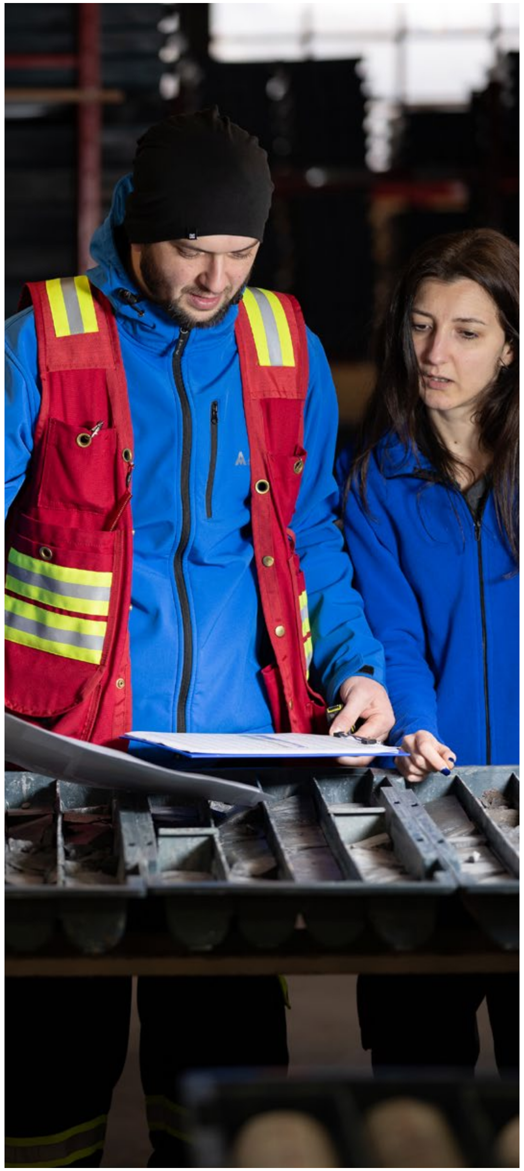
Total number of employees





Sustainability

A holistic approach



Benefits and recruitment

The central objective of the Resourcing Strategy is to enable identification, attraction and selection of the best talent for the roles required. The recruitment process is grounded in principles of fairness and transparency, with the objective of finding the best candidates, whilst also encouraging diversity. The process has been formalised and covers all enrolment stages, including the approval of the job description, appropriate channels through which to disseminate the job opportunity, criteria for short-listing, the interview process and final personnel checks.

Recruitment opportunities are open to internal as well as external candidates, to ensure that the Company is both accessing the widest pool of available talent and providing current employees with the opportunity to progress within the Company. In 2022, 20% of senior management were hired from the local community, including the Head of Sustainability.

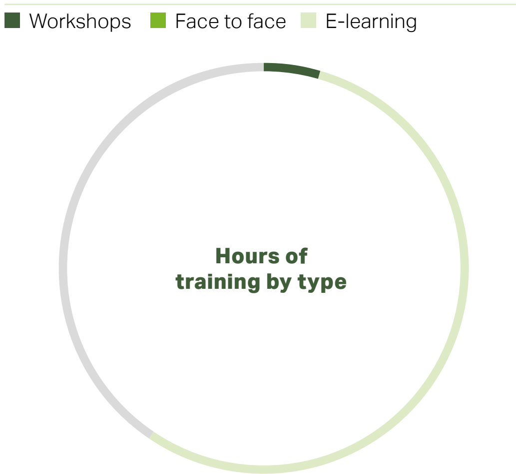
As part of Adriatic's Community Development Plan, the Company is keen to promote more job opportunities in Vares and the surrounding areas, with the objective of enabling young Bosnians to stay in the country rather than having to seek employment elsewhere in Europe. A key element of this recruitment strategy has therefore been targeted advertising of job opportunities in the local cantons and hiring individuals that may not have previous mining experience but have the right aptitude to learn and develop in these roles. This strategy enables the Company to not only create opportunities that deliver a positive legacy is Bosnia, but also to develop and retain talent for the long term.

Training and development

By focusing on hiring young highly qualified individuals, Adriatic has been building a self-driven and educated workforce. The focus of the Talent and Learning Strategy has therefore been to provide the specific technical and behavioural skills training that individuals require - when having limited or no previous mining experience - and to create learning opportunities that will enable employees to develop and fulfil their potential. In 2022, 93% of employees were 'extremely satisfied' with training content, facilitation process and material.

Total hours of training
2,511

Average training hours per year per employee
16.1



Sustainability

Ensuring opportunity for all

Employee Relations

To track effectiveness, Adriatic conducted an employee survey with the purpose of receiving feedback to gauge workforce sentiment. From the responses gathered, the HR team were able to identify initiatives that are working well, what improvements could be made, and where changes should be implemented. These actions are to be set out at the beginning of the year and, in recognition of the importance of having an engaged workforce, the results of the survey are to be linked to corporate bonuses. Adriatic believes that the efficacy of cultural approach is evidenced in the strong engagement scores that were recorded from the employee survey.

In 2022, participation in the survey was 84% with 80% of employees providing favourable feedback and 14% providing neutral. 91% of respondents were proud to work for Adriatic and 89% would recommend the Company as a great place to work. Following the survey, Adriatic has set up a working group in order to develop and launch employee engagement initiatives.

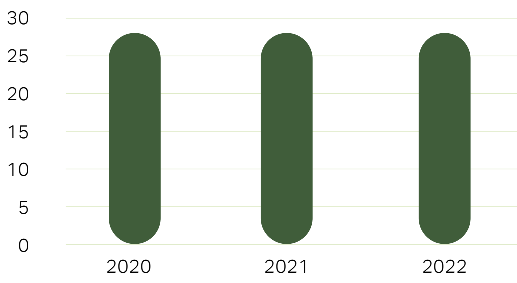
Sanela Karic has been appointed responsible by the Board for employee relations and in discharging these duties attends both the working group and employee council meetings.

Diversity and equality

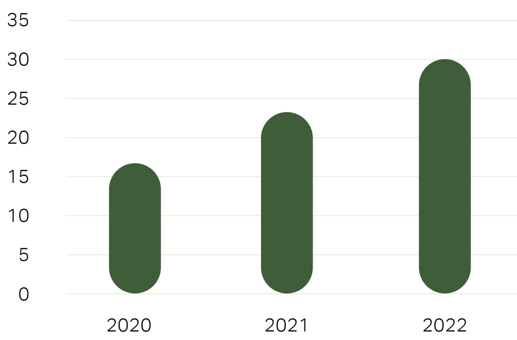
Adriatic is committed to creating a diverse workplace and firmly believes in the benefits that arise from cultivating a multi-demographic environment. The Company aims to appeal to the broadest pool of high-quality candidates, to access different societal perspectives and ideas, and improve employee retention. This commitment is enshrined in the Diversity Policy, which provides a framework for workplace culture that is characterised by inclusive practices and behaviours for the benefit of all employees.

A particular focus at Adriatic has been on supporting female employees and bringing more women into the industry. The Company has committed to achieving improved employment and career opportunities for women in an industry that has historically been predominated by men and have adopted the target of 25% female representation across the organisation. Adriatic is very pleased to have exceeded that target for a third year running with 29% female employees at the end of 2022.

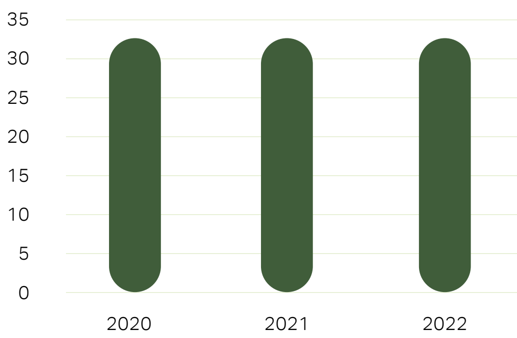
% female in Bosnia



% female of new hires



% female on the Board



Sustainability

A zero harm approach

Health and Safety

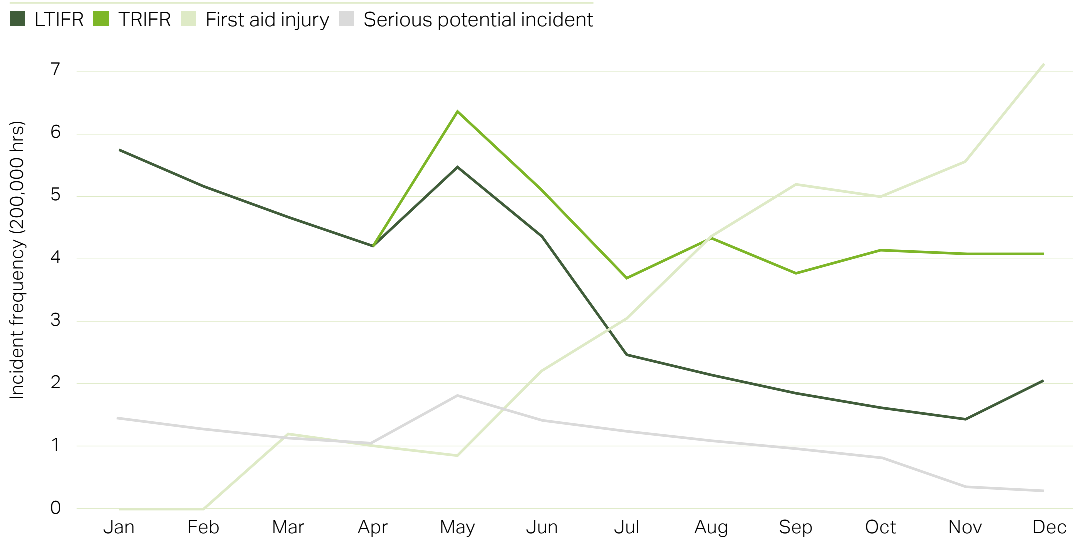
Adriatic is committed to protecting the safety, occupational health and welfare of the workforce. The Company strives to achieve Zero Harm and to eliminate the potential for accidents and injury in the workplace. Adriatic also ensures that its operations do not impact negatively on the safety or health of associated communities.

Health and safety framework

Health and safety is approached through the lens of continuous improvement and, in 2022, the Company established a robust health and safety framework that includes policies, procedures, training and Company standards.

All employees are undergoing training with the safety culture programme 'Creating Safe Work'. The programme has been developed to better align employees on Adriatic's Health and Safety Model, safety leadership, risk management and the psychology of safety.

Health and safety performance



During 2022, the Company experienced substantial improvement across its operations and positive changes in safety culture across employee and contractor base. Focus has been on leadership and engagement, people, standard and systems and critical risk management which has placed Adriatic in good stead for future operations and growth. The Company has experienced a decrease across lag indicators and seen positive increases across lead indicators.

For instance, the rise in first aid injuries is attributable to a better reporting culture and user-friendly systems to report incidents. First aid injuries are fairly minor in nature i.e. minor cuts/abrasions – and these would not have been reported previously.

ISO 45001 Health and safety management standard

ISO 45001 is the world's international standard for occupational health and safety, issued to protect employees and visitors from work-related accidents and diseases. The certification was developed to mitigate any factors that can cause employees and businesses irreparable harm.

Geared toward senior management, ISO 45001 has the ultimate goal of helping businesses provide a healthy and safe working environment for their employees, as well as anyone else who visits the workplace. This goal can be achieved by controlling factors that could potentially lead to injury, illness and — in extreme situations — even death. As a result, ISO 45001 is concerned with mitigating any factors that are harmful or that pose a danger to workers' physical and mental well-being.

In 2023, Adriatic will be working towards gaining ISO 45001 accreditation.

Maintaining our social licence to operate

Community relations and engagement

Maintaining a social licence to operate

Adriatic is committed to creating a lasting positive legacy in the regions where it operates by uplifting the life chances of local people and supporting sustainable socio-economic development. Active and inclusive consultation and engagement with the communities associated with our operations is critical to delivering on these commitments. Cultivating collaborative local relationships based on honest and transparent communication is therefore at the heart of the community strategy and the Company employs a number of channels of communication to gather feedback, understand local needs, and provide clarity on the Company's activities.

Community relations and engagement

One of the first engagements with the surrounding communities in Bosnia and Herzegovina was through the household survey, conducted as part of the ESIA. This comprised over 100 questions covering all aspects of life in the region and was sent to all the villages which would be impacted by Adriatic's operations. There was a high level of engagement with 95% of households responding, providing a high level of confidence in utilising the results of the survey as the basis for a community strategy in Vares.

Public Liaison Committee ("PLC")

To ensure structured, regular communication, Adriatic established the PLC. It comprises of a group of individuals representing a range of demographics in the locality; members are selected or reappointed every two years and the Chairperson is elected with a mandate of two years. The purpose of the Committee is to continually inform the local community about current and future Company activities, provide a forum for the discussion and sharing of views or concerns, and an opportunity for locals to advise the Company on how best to serve the needs of the community.

Vares information centre

Visit reason	Visitors number
Adriatic Foundation	370
Job application	251
Employment information	156
Donations/Initiatives	77
Post services	327
Meetings	76
Employees	777
Investor visits	41
Other	343
TOTAL	2,418

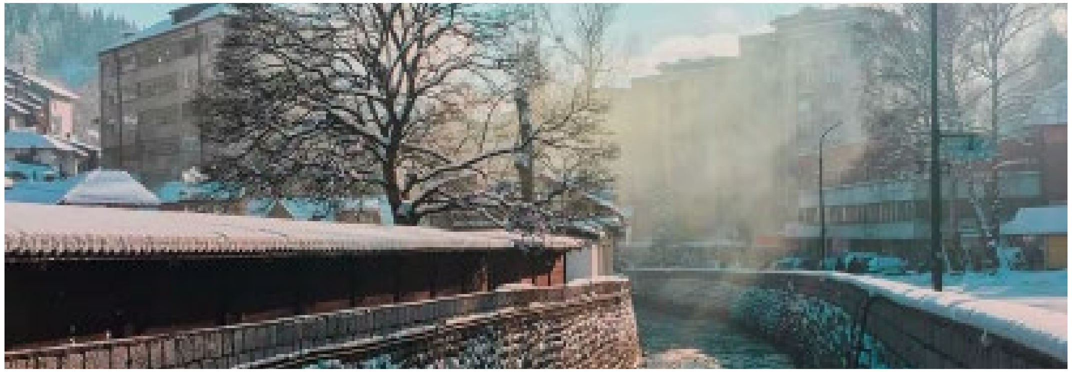
Adriatic has instituted a number of other methods of community engagement. In the centre of Vares the Company installed an Information Centre where information can be accessed regarding the project, community meetings and job applications, and residents can submit any grievances through a formal process. There are hundreds of physical visits to the centre every month, but residents can also contact the Company via phone or email.

"It is through making connections, arranging meetings, and having regular communication that you can truly understand a community. By talking to local people and embedding our operations here we've been able to get to know everyone and provide services that actually meet their needs."

Almedina Likic
Information centre Associate and Adriatic Foundation Secretary

Sustainability

Maintaining our social licence to operate



Sustainable Community Development Plan ("SCDP")

As a joint venture with the Municipality of Vares, Adriatic created a SCDP which focuses on responsible long term initiatives to support the increase in entrepreneurial activity, build capacity and resilience in the local supply chain, and work with local government to best prepare them for future revenues from the mining project. To ensure the effectiveness of the SCDP, it was created with consideration for local realities, culture, and capacities, and to complement the Municipality's pre-existing vision and strategy for the development of Vares.

Supply chain and procurement

Critical in creating a synergy between Adriatic and the community has been the engagement of businesses in Vares to work on the Project. Local procurement is prioritised where possible, seeking contractors and suppliers from within the Municipality of Vares, neighbouring municipalities and at national level, in that order. Much of the construction phase has necessitated the engagement of larger international companies as local contractors have lacked the experience and scale, but Adriatic has encouraged these companies to set up regional offices and facilities and employ locally to make sure the economic benefits are still felt in Vares.

"We are more than willing to help local contractors and suppliers. By helping them to meet our own requirements, we are ensuring they have the recognised practices and standards in place to work with other international businesses. It's also fantastic to see where a single business is unable fulfil a service for the Project alone, they are forming consortiums with other local businesses in order to meet the brief."

Mark Richards
Procurement and Logistics Manager

Community health and safety

The community health and safety management plan has been in place for two years and includes strategies to prevent illness and injury, as well as the promotion of healthy lifestyles and behaviours. As well as providing access to healthcare, Adriatic is looking to provide health screenings to help detect illnesses early in order to deliver an improved quality of life.

EuroFarm case study

As well as contributing to economic development, Adriatic is committed to working with the local municipality to deliver much needed social projects. Following the household survey, the lack of sufficient healthcare provision was clear. In May 2022 Adriatic opened the Eurofarm Polyclinic in Vares. The clinic was established to provide healthcare, not only to the Company employees and their families, but also to the entire community. Funds were also donated for the renovation of the children's playground in the town. The Company will continue to work alongside the municipality to create beneficial social impacts wherever possible.

EUROFARMCENTAR
PRIVATNA ZDRAVSTVENA USTANOVA

Understanding global risks

Environmental impacts

Adriatic is committed to the responsible stewardship of natural resources and aims to operate in a sustainable manner that eliminates, minimises, mitigates or compensates for adverse impacts and maximises positive environmental and socio-economic impacts. It is recognised that mining is often associated with significant environmental impacts and intensive resource use, and that these factors create a significant responsibility that exists from exploration through to closure.

By producing the metals which are essential for the European Green Deal, Adriatic contributes positively to the transition to clean energy and aims to play a part in global decarbonisation.

Climate change

Climate change represents one of the most significant challenges facing the world today and, as declared in Adriatic's climate change policy, the Company supports the goals of the Paris Agreement. The aim is to minimise the Company's contribution to greenhouse gas emissions, to consider and plan for the physical risks of climate change on our operations and to work with host communities to build understanding of the Company's resilience to the physical impacts of climate change.

Adriatic has aligned its reporting with the TCFD in relation to managing the impacts of climate change (see page 65).

Biodiversity and rehabilitation

Adriatic is aware of the importance of preserving biodiversity, the need for the proper management of protected areas and integrated land-use planning. The Company addresses potential adverse impacts on biodiversity by applying a mitigation hierarchy that aims to achieve 'no net loss' of priority biodiversity features or critical habitats and, where possible, to contribute to a 'net gain' of biodiversity as a result of its activities.

Sustainability

Responsible resource use

Water as a shared resource

The Company is committed to the responsible and efficient use of water and applies strong water governance measures that adopt a collaborative approach with other water users. Adriatic is putting in place activities to achieve 100% of recycled water through the processing plant and during underground mining. Systems for wastewater treatment and acidic rock drainage are in the phase of detailed design and commissioning.

Several watercourses were found adjacent to or within project activity areas and mitigation has been incorporated into the project design to avoid any potential negative impacts. The following measures have been implemented to ensure that residual impacts to surface water and groundwater will not be significant:

1. No discharge effluent from Vares Processing Plant
2. Establishment of site-wide drainage and settlement ponds
3. Active treatment of contact water contaminated by acid rock drainage
4. Implementation of a Water and Wastewater Management Plan

The quality of water within the surrounding hydrological system is monitored during the construction and operations phases in order to ensure against potential pollutants entering the drainage system.

Tailings management

Adriatic is committed to managing tailings and waste responsibly in conformance with national legislation and international codes of best practice.

Tailings are a by-product of mining. After ore containing the desired recoverable commodity is mined from the earth, that commodity is extracted in the mill and processing plant. After the metal is extracted from the ore material, the resultant waste stream is termed 'tailings'.

Waste tailings from Adriatic's processing will be de-watered and filtered prior to being transported via truck to the Rupice mine for use as backfill with crushed waste rock and cement in the mine, as required. Depending on the volume of the ore processed, it is predicted that approximately 39,000 tonnes per month of tailings will be generated. Excess tailings not required for backfill will be disposed of in the new dedicated 'tailings storage facility' (TSF). The TSF has a 14-year life-of-mine, 2.5Mm3 capacity and will be lined and designed to to collect all non-contact (i.e. rainwater that did not contact the tailings) surface water for immediate disposal in the downstream stream. Any rainwater or snow in contact with the tailings and any drainage from the tailings will be collected in a lined pond and returned to the process plant as process water.

Total production as of July 2022, was 2.79Mt with a tailings volume of 1.6Mm3.

Building local capacity

Adriatic is committed to conducting its business affairs in an ethical and responsible manner, including through the sourcing of goods and services.

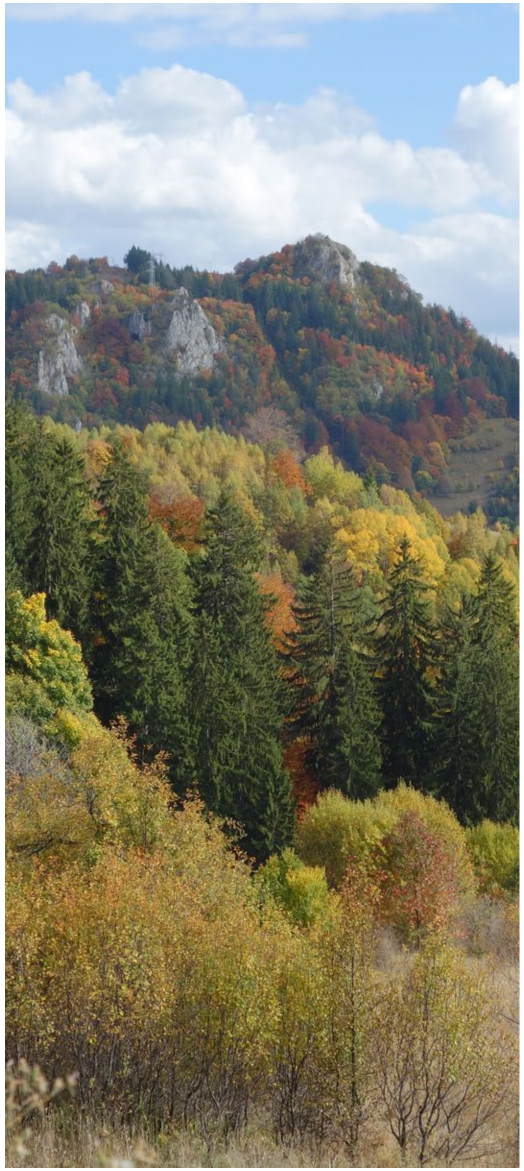
The aim is to minimise any adverse social or environmental impacts arising from the supply chain and to ensure that the communities associated with operations are left with a positive legacy including through the development of new enterprises capable of generating sustainable skills, livelihoods and capacities.

The Company has developed outreach processes to communicate procurement opportunities and support local suppliers to build capacity and to compete for suitable contracts including supporting them to complete the contract process. In 2022, 68% of Adriatic's spending was on local suppliers and 94% of subsidiary Eastern Mining's spending was on local suppliers.

Approach to tax and concessionary payments

The construction and operational phase of the Project will have a positive impact on the national economy through payments of value-added tax on construction supplies, including materials and equipment, fuel, food, and advisory services and through construction workforce income tax contributions. Project royalties and taxes are paid according to legislation in Bosnia and Herzegovina, at the state and cantonal levels, and then distributed to the municipality level. In 2022, Adriatic and its subsidiaries paid a total of over $1.5m in concession fees, insurance and taxes.

In addition to these statutory payments - and to provide a more direct form of community funding - the Company established an independent charity, the Adriatic Foundation, to support and promote local sustainable socio-economic development, with a particular focus on the communities associated with Adriatic's operations.



Assessing the impact

Taskforce on Climate-Related Financial Disclosures (TCFD)

The Company recognises that climate change represents one of the most significant challenges facing the world today and supports the goals of the Paris Agreement. The Company aims to minimise contributions to greenhouse gas emissions, to consider and plan for the physical risks of climate change on operations, and to work with host communities to build their understanding of their resilience to the physical impacts of climate change.

Financial Conduct Authority ("FCA") listing rules require premium listed and standard listed companies to make disclosures under the TCFD framework on a 'comply or explain' basis. This statement captures the Company's second year of disclosure under a programme of continued progression as it moves towards commissioning and production. No external assurance has been carried out.

When preparing its TCFD statement of compliance in the table below, and given the importance of maintaining its social licence to operate, the Company has undertaken a process to identify and prioritise the most significant issues facing the organisation. The Company was keen to understand the potential impacts of its operations and provide a framework for prioritising and addressing these issues. As part of its broader risk assessment, it conducted a review of the sustainability topics that were most relevant to the Company and its stakeholders, assigning a level of importance to each issue based on its potential impact and the level of concern expressed by both internal and external stakeholders. A list of 26 key topics has been identified and ranked as low, medium, high or critical risk. This materiality model is used to guide the development of the Company´s sustainability strategy, identify initiatives for improvement, integrate sustainability into its decision-making processes, achieve long term business success and help it to communicate progress to stakeholders. To support this, the management of each material issue has been assigned to key functional areas of the business, establishing clear lines of responsibility and accountability.

Governance

TCFD Consideration	Report on TCFD recommendations	Statement of compliance
Describe the Board's oversight of climate-related risks and opportunities	The Board recognises climate change presents a range of risks and opportunities that are critical for the business to address. The Board has oversight of climate-related issues through its Sustainability Committee, which reports to the Board half-yearly. Key climate-related elements during the year include: – Assessment and approval of construction and operational ESG KPIs, including the commitment to a 30% emissions reduction by 2027 – Target a strategy and commitment for decarbonisation and Net Zero through Science Based Targets initiative ("SBTi") The Sustainability Committee has implemented a climate change policy and monitors the content, effectiveness and implementation of this policy on a regular basis. Material breaches of this policy will be reported to the Sustainability Committee and the Board.	**Compliant.**

Sustainability

Assessing the impact

Governance

TCFD Consideration	Report on TCFD recommendations	Statement of compliance
Describe management's role in assessing and managing climate-related risks and opportunities.	At executive-level, the CEO is ultimately responsible and accountable for the Company's approach to environmental and climate change management, supported by the Head of Sustainability. The Head of Sustainability leads the operational level working group that is responsible for delivering the Company's sustainability strategy, including climate-related activities that mitigate risk and drive opportunities. Responsibility for the application of the Company´s climate change policy rests with, but is not limited to, all Company employees and contractors engaged in relevant activities under the Company's operational control. The Company's managers are responsible for promoting and ensuring compliance with this policy and any related individual site level policies and practices. On the Vares Project, stakeholder engagement is well advanced with the implementation of a stakeholder engagement plan. Several activities, including the establishment of a public liaison committee, provide an invaluable platform for information dissemination.	**Compliant.**

Strategy

TCFD Consideration	Report on TCFD recommendations	Statement of compliance
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Assessment has been made to consider the way in which the climate is expected to vary over the life of the mine based on local projections for Bosnia and Herzegovina. The projections have been used to help undertake a vulnerability assessment as to potential risks to the Project itself from changing climatic patterns. The most significant potential climate vulnerabilities are considered to relate to increased temperature and increased snowfall. Increased peak temperatures could adversely affect the workforce (through dehydration, heat stroke etc.) and cause plant and machinery to overheat. Since most of the Project area is surrounded by forestry, increased temperatures may result in increased risk of forest fires. Consideration will be needed to ensure explosive stores and fuel stores are safely maintained at higher temperatures and fire risk will need to be routinely monitored, with active steps to remove possible fuel and ignition sources, particularly during intense periods of dry weather. Increased snowfall could cause flooding and extreme cold could adversely affect employees. Adriatic has engaged Alfa Energy to provide a detailed life cycle analysis ("LCA") for the Vares Project. This assessment will incorporate the operational climate-related risks and opportunities that are likely to impact the business, which will in turn help inform a robust view on the transitional and physical risks and opportunities over the short, medium and long term. This assessment will be completed during 2023. Adriatic intends to provide a detailed risk and opportunity analysis during 2023.	**Not yet compliant.** The Company has not provided the climate-related time horizons for the scenarios provided because it has not yet completed the LCA required to determine key inputs. During 2023, the Sustainability Working Group, guided by its advisers Buchanan and Alfa Energy, will clearly define risks and opportunities identified over the short, medium and long term. Following conclusion of the LCA, the Company will disclose its business model resilience testing, as well as climate-related time horizons for various scenarios and how the outcomes of the scenario analysis influenced strategic planning and any actions taken as a result

Assessing the impact

Strategy

TCFD Consideration	Report on TCFD recommendations	Statement of compliance
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	The Sustainability Committee considers climate-related issues when reviewing and guiding strategy. The main sources of greenhouse gas ("GHG") emissions associated with the Project relate to fuel combustion and electricity usage. GHG emissions have already been reduced through the design of the Project as follows: – Minimising the land clearance for project facilities; – Adopting mitigation strategies for preserving integrity of soil stockpiles; – Minimising tree felling (only trees needing to be removed for safety reasons above the haul road will be felled); – Providing improved materials for buildings to minimise heat losses as well as reducing noise impacts; – The use of modern, energy efficient electrical equipment, and mobile plant with fuel efficient engines; and – In 2021 installing a 23kW solar facility on the roof of the Tisovci administration building for existing electricity usage. GHG mitigation opportunities are also being explored further as the Project design is advanced and operational activities are further developed. These include: – Although haulage works are likely to be undertaken by contractors, consideration will be given to the choice of vehicles used for both the mine fleet and the haulage fleet. Where possible fuel efficiency will be a factor in the selection of vehicles as this will not only reduce GHG emissions but also reduce operating costs. There is currently considered to be limited potential for the use of biodiesel to help reduce emissions, however the Project will continue to monitor potential options; – In addition to the efficiency of the fleet itself, opportunities will be sought for improving the use of the vehicles. Scheduling of excavation and haulage activities to optimise activities and avoid double handling, where this is operationally practical. As the mine's logistics and scheduling are progressed, consideration will be given to the optimisation of vehicle and equipment movements to improve efficiency and reduce overall CO_2 emissions; – The upgrading of energy intensive machinery during the operational phase is expected to improve efficiency and reduce CO_2 emissions compared to plant that has been removed. Further energy efficiency opportunities will also be investigated; and – Onsite renewable energy projects are being identified to increase energy security supply, simultaneously providing independence from unpredictable price jumps in the electricity market. Identified are locations for ground mounted photovoltaic power plants, wind power plants and lakes for eventual floating photovoltaic power plants, or a pumping-hydro power plant implementation.	**Not yet compliant.** The Company has not provided the climate-related time horizons for the scenarios provided because it has not yet completed the LCA required to determine key inputs. During 2023, the Sustainability Working Group, guided by its advisers Buchanan and Alfa Energy, will clearly define risks and opportunities identified over the short, medium and long term. Following conclusion of the LCA, the Company will disclose its business model resilience testing, as well as climate-related time horizons for various scenarios and how the outcomes of the scenario analysis influenced strategic planning and any actions taken as a result

Assessing the impact

Strategy

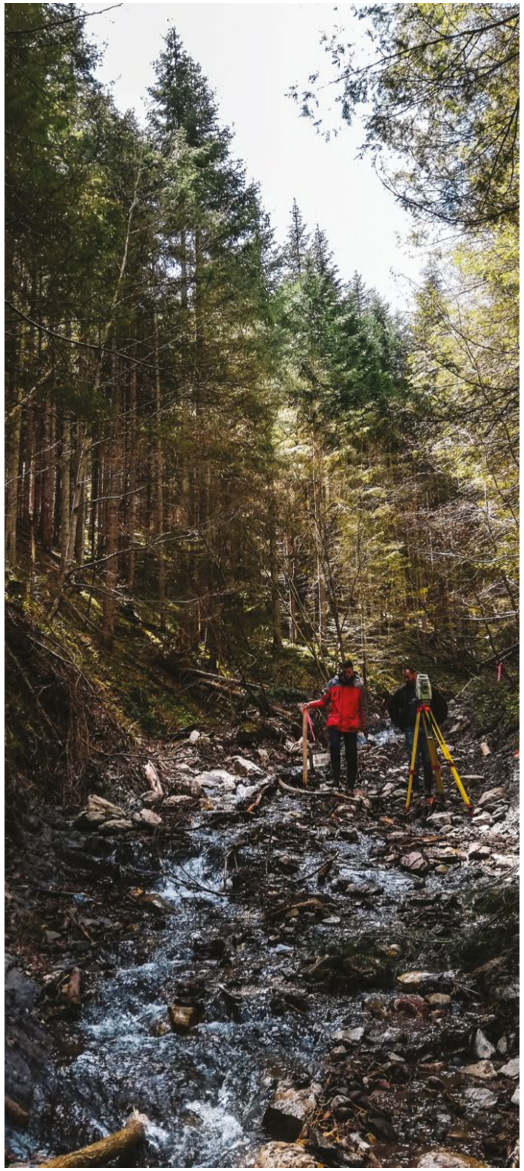
TCFD Consideration	Report on TCFD recommendations	Statement of compliance
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Although overall precipitation rates are expected to decrease, higher intensity events may occur and increased temperatures in winter mean that snowfall melts more quickly than was previously the case and this, in turn, could increase the risk of flooding. The design of both Rupice and Vares Processing Plant allows for accommodating drainage and storage from intense stormwater events. However, the haul road may be at increased risk of surface damage, wash outs and landslides . Upon conclusion of the LCA, the Company will assess its direct operating base under various climate scenarios to test the resilience of the business model. It will also provide climate-related time horizons related to the scenarios and disclose how the outcomes of the scenario analysis influenced strategic planning and any actions taken as a result. In conjunction with its efforts to define a Net Zero pathway to satisfy the requirements of the SBTi, the Company will also conduct a financial resilience test of its supply chain to assess energy source cost implications as well the associated emissions implications.	**Not yet compliant.** The Company has not provided the climate-related time horizons for the scenarios provided because it has not yet completed the LCA required to determine key inputs. During 2023, the Sustainability Working Group, guided by its advisers Buchanan and Alfa Energy, will clearly define risks and opportunities identified over the short, medium and long term. Following conclusion of the LCA, the Company will disclose its business model resilience testing, as well as climate-related time horizons for various scenarios and how the outcomes of the scenario analysis influenced strategic planning and any actions taken as a result

Risk Management

TCFD Consideration	Report on TCFD recommendations	Statement of compliance
Describe the organisation's processes for identifying and assessing climate-related risks.	The Environmental and Social Impact Assessment ("ESIA") for the Vares Project commissioned by the Group and completed with international consultants Wardell Armstrong considered the Vares Project baseline and identified potential sources of impact from across the mine life (construction, operation and closure). An assessment of the magnitude of impact was made and methods of avoidance, mitigation and management determined to limit the environmental and social impacts arising as a result of the Vares Project development. Climate change impacts are considered from two environmental perspectives, the impact of the Vares Project on the climate and the effect of global change on the Project. On the Raska Project, a programme of exploration work is ongoing and climate related risks will be identified and assessed as part of the future scoping study stage of the Raska Project. The Company's risk management processes are disclosed within the Principal Risks and Uncertainties section on page 42 of this annual report.	**Compliant.**

Sustainability

Assessing the impact



Risk Management

TCFD Consideration	Report on TCFD recommendations	Statement of compliance
Describe the organisation's processes for managing climate-related risks.	The Company has developed an Environmental and Social Management System ("ESMS"), which guides the implementation and monitoring of the mitigation and management methods identified in the ESIA. The ESMS comprises corporate policies, the ESIA, and environmental and social management plans and action plans. The Board and management team have been committed to developing a mining project in harmony with the local environment and communities, taking appropriate and robust steps in the process to meet this objective. Bosnia and Herzegovina's electricity grid is powered increasingly by renewable energy sources, but a significant proportion still comes from coal powered energy sources. The assessment of these risks in the context of strategic planning and capital allocation informed the approval and development of a small-scale solar project at Eastern Mining's Vares administrative building. The Company considers that the most material climate-related risks will occur once the mine and Processing Plant are operational. Therefore, the greatest opportunity to reduce those risks (including emissions risk, carbon taxes and other associated transitional risks) is during the design and construction phase of the Project. Energy supply for powering mining and processing activities is deemed a material area of climate-related focus, as well as fuel types for powering the mobile fleet. Hydrogen powered trucks have also been considered for the mobile fleet and the Company will continue to assess investment into low-emission operating technologies.	**Compliant.**
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	The ESIA was developed alongside and in close collaboration with the definitive feasibility study for the Project. This means that environmental and social aspects have been integrated into the overall design, avoiding many potential significant adverse impacts.	**Compliant.**

Assessing the impact

Metrics and Targets

TCFD Consideration	Report on TCFD recommendations	Statement of compliance
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Carbon emissions will be reported in Streamlined Energy and Carbon Reporting ("SECR"), Net Zero, and Carbon Disclosure Project ("CDP") reports. Since SECR is energy-related, the Company will also report its energy reduction and document its energy efficiency measures. It has also committed to using LCA to assess its impacts on the environment during the operational lifetime of its mines and process plants. This will map all energy and manufacturing inputs and associated emissions throughout the product life cycle (i.e. raw material acquisition, processing/manufacturing, use, and end-of-life treatment). Besides global warming, other potential relevant environmental performance indicators will also be adopted as appropriate (e.g. acidification potential, human toxicity, freshwater aquatic ecotoxicity).	**Not yet compliant.** The Company has not yet provided the required metrics or targets. During 2023, the Sustainability Working Group, guided by Buchanan and Alfa Energy, will clearly define metrics beyond scope 1, 2 and 3 that will aid its analysis of climate-related performance
Disclose Scope 1, Scope 2 and, if appropriate Scope 3 greenhouse gas (GHG) emissions and the related risks.	Scope 1 & 2 GHG emissions are disclosed in the SECR on page 72 below. Scope 3 GHG emissions and the risks related to GHG emissions are not yet disclosed. The Company intends to develop this disclosure during 2023.	**Partially compliant.** The Company is not yet compliant on Scope 3 disclosure and intends to develop this disclosure during 2023.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	GHG reduction strategy: **30%** Target a 30% reduction in combined Scope 1 & 2 GHG emissions by 2027, from a 2024 baseline (i.e. from the first full year of concentrate production) **Zero** Develop a Net Zero strategy during 2022 and 2023 (measures for emission reduction and shape boundaries of an eventual effective net zero target, including Scope 1,2 and 3 evaluation and workshop, develop and publish strategy document) **SBTi** Commit to emissions reduction through SBTi for external verification of sustainability strategy and defined goals during 2022 and 2023	**Not yet compliant.** The Company has not yet provided a description of the targets to manage climate-related risks and opportunities as these risks and opportunities have not yet been fully defined. It intends to complete a LCA for the Vares Project during 2023 which will incorporate the operational climate-related risks and opportunities, enabling appropriate targets to be provided.

Sustainability

Assessing the impact

Summary of estimated total GHG Emissions during the Life of Mine	CO_2	CH_4	N_2O	CO_2e[ii]
	tonnes	tonnes	tonnes	tonnes
Scope 1				
Tree Felling at Rupice & TSF	N/A	N/A	N/A	18,494.93
Rupice Underground	40,861.86	2.29	15.77	45,105.31
Rupice Surface	46,857.10	2.62	18.09	51,723.16
VPP Operations	6,149.97	0.34	2.37	6,788.63
Ore haulage	7,490.96	0.42	2.89	8,268.88
Tailings haulage	6,448.74	0.36	2.49	7,118.43
Container transport to Rail	18,830.31	1.05	7.27	20,785.81
Explosives	N/A	N/A	N/A	1,104.32
Staff Bus Service	N/A	N/A	N/A	9,403.06
Scope 2				
Rupice Electric Load	N/A	N/A	N/A	85,884.59
VPP Electric Load	N/A	N/A	N/A	320,680.09
Total Scope 1 & Scope 2				**575,357.22**

Notes:

i. CO_2, CH_4, N_20, emissions have been estimated based on IPCC National Inventory Methodology, Volume 2, Chapter 1 and IFC's Carbon Emissions tool

ii. CO_2e emissions were estimated based on a global warming potential of 1, 28 and 265 for CO_2, CH_4 and N_2O, respectively (IPCC AR5, 2015).

Calculating our impacts

Streamlined Energy & Carbon Report

Scope 1, Scope 2 greenhouse gas (GHG) emissions, and the related risks

Scope 1 and scope 2 GHG emissions for projects are calculated and reported as part of the Company's SECR and as part of its CDP reports.

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

the combustion of fuel (direct Scope 1 emissions)

and that resulting from the purchase of electricity (indirect Scope 2 emissions).

The kg Emissions for the year ended 31 December 2022 are significantly higher than the prior year due to the intensive construction works that have been undertaken on the Vares Project construction. Once the mine site, processing plant and logistics activities are operational, the Company plans to set a new baseline upon which to better measure performance and drive carbon efficiencies.

		Total	UK	Non UK	Total	UK	Non UK
Location-based Reporting		01/01/2022 - 31/12/2022	01/01/2022 - 31/12/2022	01/01/2022 - 31/12/2022	01/01/2021 - 31/12/2021	01/01/2021 - 31/12/2021	01/01/2021 - 31/12/2021
	Emissions Scope	t CO_2e	t CO_2e	t CO_2e	t CO_2e	t CO_2e	t CO_2e
Emissions from combustion of gas	1	0.0	0.0	0.0	2.1	0.0	2.1
Emissions from combustion of fuel for transport purposes	1	45.4	0.0	45.4	0.0	0.0	0.0
Emissions from other activities which the company own or control including operation of facilities	1	920.5	0.0	920.5	117.6	0.0	117.6
Emissions from purchased electricity	2	303.3	2.1	301.2	163	1.8	161.1
Scope 1 + 2		**1269.2**	**2.1**	**1267.1**	**282.7**	**1.8**	**280.8**
Underlying energy (kWh)		**3,733,065**	**10,667**	**3,722,398**	**746,938.0**	**8,550**	**738,388**
t CO_2e / FTE (Scope 1 + 2)		**8.75**			**2.59**		
Average Headcount		**145**			**109**		

Methodology

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

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

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

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

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

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

Net Zero roadmap

Energy

Adriatic is committed to using energy and resources efficiently and sustainably, proactively evaluating options where this is a commercially viable approach, to increase the use of non-fossil fuel sources of energy and to optimise the energy efficiency of operations. The Company has incorporated energy efficient elements into the design of the mine and the plant, including energy saving systems, insulation and recycling of energy and heat in ore processing.

GHG reduction strategy:

30%

Target a 30% reduction in combined Scope 1&2 GHG emissions by 2027, from a 2024 baseline (i.e. start of metal production) .

Zero

Develop a Net Zero strategy (measures for emission reduction and shape boundaries of an eventual effective net zero target, including Scope 1,2 and 3 evaluation and workshop, develop and publish strategy document) during 2022 and 2023.

SBTi

Commit to emissions reduction through SBTi (Science Based Targets initiative) for external verification of sustainability strategy and defined goals during 2022 and 2023.

By submitting the Science Based Target initiative (SBTi), Adriatic will have to reduce and report its emissions. If the Company intends to stay on track in achieving Net Zero, the Company will have to measure its reduced emissions every financial year.

Carbon and the supply chain

In 2022 Adriatic entered into offtake agreements with four international commodities trading and smelting companies (or 'offtakers') for the purchase of concentrate production from the Vares Project, including a zinc concentrate to Boliden AB.

Boliden is a Swedish, multinational metals, mining, and smelting company headquartered in Stockholm and has had a strategic focus on reducing its C02 emissions since 2016, to advance zero-emissions mining.

To address global climate change objectives, natural resources supply chains are rapidly aligning to ensure to efficient extraction, processing, shipping and refinement/smelting of products as part of full lifecycle assessment that monitors and manages waste and energy efficiency.

Boliden has established a clear sustainability policy and supply chain agenda that looks to address these key areas of operational impact and drive improved performance in line with the targets of the Paris Accord and international climate risk frameworks such as TCFD.

As part of the initial 'ESG Evaluation of Business Partners' screening process, Adriatic was asked to conduct a thorough self- assessment followed by the Boliden teams investigation into specific potential risk factors, such as water management, tailings management, community relations, GHG performance and country risk. These focus areas will be key areas for further review as part of stage 3 and 4 assessments.

Adriatic Foundation

Supporting and promoting local communities associated with Adriatic's operations.

THE ADRIATIC
FOUNDATION

The Adriatic Foundation ("Foundation") is a charitable initiative established by Adriatic Metals in 2021 to support local communities around the Vares Project and create a positive long term legacy.

The Foundation is managed by a Board of Trustees, which includes four independent representatives from the region surrounding the Vares Project and meets quarterly to discuss and approve submitted proposals that meet the Foundation's objectives.

Focus

Following surveys with local residents to understand the areas of primary local need, the Foundation has chosen to focus on supporting education, health, culture, and environmental projects, in order to directly address:

- concerns for the local environment as a result of the experience of poor mining practices in the past;
- inadequate primary health care provision in the region; and
- a scarcity of employment opportunities and the fear this would not be alleviated by Adriatic as locals lacked relevant experience.

Funding and independence

The Foundation is entirely funded by the donations of benefactors who pledge their support to enable the financing of new projects, avoiding the possibility of any direct benefit.

In accordance with the law on associations and foundations in Bosnia and Herzegovina, the organisation implements its goals through an independent board of trustees comprised of prominent members of the communities of the municipalities of Kakanj and Vares. Regular board sessions foster an independent and transparent rapport to drive continual awareness of local opportunities.

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

Foundation Investments

The flagship education initiative in 2022 offered free English lessons to residents in Vares. Adriatic's operations are bringing a number of international people to the town, and it is recognised that conversing in English will enable residents to further capitalise on this increased economic activity. The initiative was a huge success, with 227 individuals taking the six-month language course, including all age groups from 7 to 70 years old.

The Foundation also launched a scholarship programme. Research had uncovered that there were many such schemes at university level, but few for high school students. Therefore, the Foundation established a programme to provide much needed funding for the education of children from disadvantaged backgrounds, through which a year's school funding was provided for 25 local students. The programme in 2021 had 47 applicants; in 2022 another 47 people applied, reflecting the increased awareness of the Foundation's activities and efforts to raise its profile in the local region.

"As a help with the costs of studying, this scholarship means a lot to me, and I am very happy that through today's positive experience, I have had the opportunity to help."

Scholarship holder from Kakanj

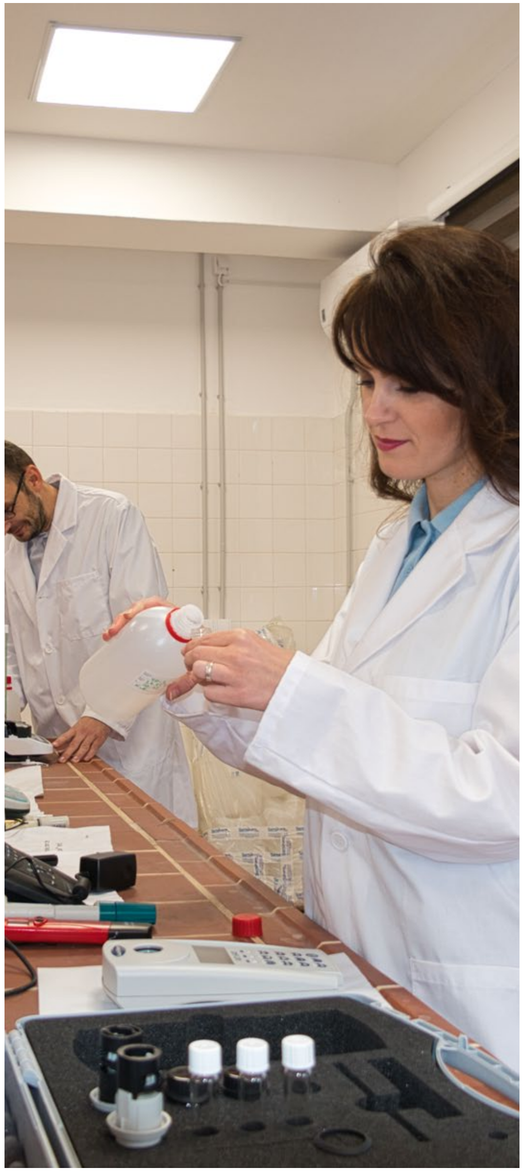
Under the environmental focus, a grants programme was set up for sustainable projects. Residents and organisations are invited to apply for funding for projects that they feel will have a positive impact on local ecology. Applications from two environmental projects have been approved to date: one for the installation of solar panels to provide electricity for the Hikers' Association in the mountains – to support its conservation activities; the second for the Fishermen's Association's project to breed fish and reintroduce them to the local rivers to increase the population.

Adriatic employees have also supported a number of environmental initiatives, including road clearing and afforestation activities. For some of the projects, scholarship holders were invited to develop their environmental awareness skills to encourage a culture of ecological responsibility amongst attendees.

Despite only being founded last year, the Foundation has already been able to deliver some community-focused projects. To address the target health objectives, it is planning a number of activities to improve the understanding of mental health and also raise road safety awareness. Interactions with the local community continue to inform the strategy for delivering programmes that will provide the greatest benefit. Many of Adriatic's contractors are currently contributing towards these initiatives, and a percentage of the profits from Adriatic's revenues are set aside as a source of continual funding once operations begin, in addition to the seed funding already provided.

Adriatic Foundation

Supporting and promoting local communities associated with Adriatic's operations.



NEW PROJECTS

Projects that have received supported have focused on taking actions that reduce the negative impact on the environment and promote sustainable practices. These initiatives can bring together both individuals and business to demonstrate ecological responsibility by conserving energy, reducing waste and protecting natural habitats.

Zvijezda Scout Association Vares project:

"I love nature, I love Vares"

Zvijezda Hunting Club Vares project:

"Technical modernization of hunting and breeding infrastructure"

Sports Fishing Society project:

Preservation, protection and improvement of the fish stock through actions to preserve natural and artificial stocking

Association for the Protection of Animals Skitnica Kakanj project:

'Don't throw garbage on nature and flowers'

Eco Association Medena dolina Kakanj project:

'Let's protect nature - treasure that is disappearing'

Association Center for Ecology and Sustainable Development (CEKOR) Kakanj project:

'Celebrating Earth Day 2023'

GSS Kakanj Rescue Club Association project:

Cleaning, arrangement and marking of the hiking trail Bukovica – Bobovac

New Scholarships for Vares, Kakanj and Breza Municipalities

During 2022 and into 2023, 29 scholarships are being awarded to students from both secondary schools and higher education institutions, with the objective of providing assistance to children who have achieved exceptional results and who face severe social barriers, including financial hardship.

New Project

The latest initiative is the funding of a cultural centre in Vares that is dedicated to linking and developing local projects, collaborating and sharing knowledge with other NGOs, providing cultural events, adult education courses, and training in small business skills.

Corporate Structure

Building a strong foundation for enduring success

Corporate structure

The corporate structure of the Group as at 23 March 2023 is as follows:

- **Adriatic Metals PLC** – England & Wales – Company Number: 10599833
  - **Adriatic Metals Jersey Limited** – Jersey – Company Number: 138204
    - **Adriatic Metals Services (UK) Limited** – England & Wales – Company Number: 03781581
      - **Tethyan Resources Jersey Ltd** – Jersey – Company Number: 106154
        - Tethyan Resources d.o.o. – Serbia – Company Number: 21185531
        - Global Mineral Resources d.o.o. – Serbia – Company Number: 21164429
      - Taor d.o.o. – Serbia – Company Number: 20975393
  - Adriatic Metals d.o.o. – Serbia – Company Number: 21609021
  - **Adriatic Metals Holdings BIH Limited** – England & Wales – Company Number: 13430806
    - Eastern Mining d.o.o. – Bosnia and Herzegovina – Company Number: 43-01-0404-13
    - Adriatic Metals Trading & Finance B.V. – Netherlands – Company Number: 863359577
    - Adriatic Metals Trading & Finance Ltd. – Jersey – Company Number: 145475
  - Adriatik Metali d.o.o. – Bosnia and Herzegovina – Company Number: 61-01-0023-21

KEY

All shareholdings 100% unless otherwise stated

- Holding Company
- Operating Company
- Hybrid holding and operating company

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

The Company's principal assets are its investment, via Adriatic Metals Holdings BIH Limited, in the Group's wholly owned subsidiary Eastern Mining d.o.o. and its direct holding in Adriatic Metals d.o.o. (formerly RAS Metals d.o.o.) which comprise the Raska Project in Serbia.

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

Adriatic Metals Holdings BIH Limited was incorporated on 1 June 2021 and acquired the entire share capital of Eastern Mining d.o.o. from Adriatic Metals plc on 30 September 2021 as part of the Group's preparation for entering into the Orion Project Finance Package.

Adriatic Metals Trading and Finance Ltd was incorporated on 28 September 2022 to act as a trading and finance company for the Group and is the borrower under the Orion Debt Finance Package.

Adriatic Metals Trading & Finance B.V. was incorporated on 14 December 2021 but remains inactive and is expected to be liquidated during 2023.

Adriatik Metali d.o.o. was incorporated on 8 April 2021 and has had limited operating activity during the year to 31 December 2022.

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

Adriatic Metals Services (UK) Ltd provides consultancy and procurement services to other members of the Group and also has an option agreement pursuant to which it may acquire the entire share capital of Deep Research d.o.o. which holds the Suva Ruda licence in Serbia though has no equity interest in that entity at present.

The Group is carrying out an internal reorganisation of its Serbian entities to simplify the Group structure. Currently there are four wholly owned Serbian operating entities within the Group, namely: Global Mineral Resources d.o.o., Tethyan Resources d.o.o., TAOR d.o.o. and Adriatic Metals d.o.o. The Group's intention is to merge these entities into the existing entity Adriatic Metals d.o.o. leaving this as the sole operating entity.

As part of the reorganisation, an application has been submitted to the Serbian Ministry of Licences to allow the Kremice and Kaznovice licences to be transferred from Global Mineral Resources d.o.o. and TAOR d.o.o. to Adriatic Metals d.o.o., respectively, and permission has been granted. The transfer process will result in the Company's related party balances with Serbian entities being transferred to Adriatic Metals d.o.o. the new licence holder. This reorganisation is ongoing as at the signing date.

The strategic report of Adriatic Metals PLC on the preceding pages was approved and authorised for publication by the Board of Directors on 30 March 2023 and was signed on its behalf by:

Michael Rawlinson
Chairman of the Board

Governance

Delivering responsibly developed value to all stakeholders

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Company directory

Board of Directors

Michael Rawlinson*
(Chairman)

Peter Bilbe*
(Non-Executive Director)

Paul Cronin
(Managing Director & Chief Executive Officer)

Julian Barnes*
(Non-Executive Director)

Sandra Bates*
(Non-Executive Director)

Sanela Karic
(Non-Executive Director)

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

Chief Financial Officer

Mike Norris

Company Secretary

Jonathan Dickman, Gabriel Chiappini
(joint secretaries)

Registered Office

Regent House, 65 Rodney Road,
Cheltenham GL50 1HX

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Australian Office

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+44 (0) 20 7993 0066

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 (LSE:ADT1)
Australian Securities Exchange (ASX:ADT)
OTC Market (OTCQX: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 and Wales

Registered Number

10599833

Web site

www.adriaticmetals.com

Corporate governance report

Corporate Governance Code – QCA disclosure statement

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

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

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

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

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

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

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

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

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

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

Corporate governance report

a. Board Composition

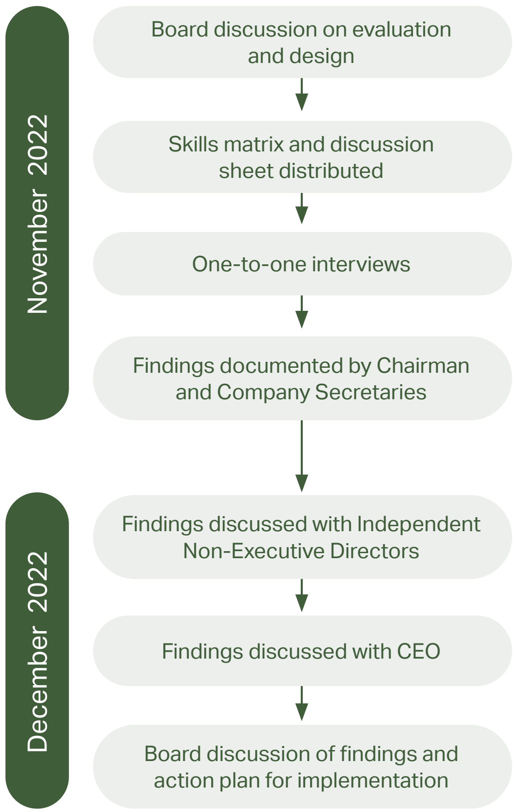
At 31 December 2022, the Board comprised a Non-Executive Chairman, a Managing Director and Chief Executive Officer, and four other Non-Executive Directors ("NEDs"), three of whom are considered independent. As part of its annual performance evaluation process the Board, in conjunction with the Remuneration & Nomination Committee, keeps its structure under review in order to maintain an appropriate balance of executive and non-executive experience and skills.

The Board considers the following NEDs who served during the year to have been independent: Peter Bilbe, Julian Barnes, Sandra Bates and Michael Rawlinson. None of these Directors is or has been an employee, had a significant business relationship or close family ties with related parties, or represented significant shareholders, although they all hold (or previously held) non-performance related options to acquire ordinary shares in the Company.

The QCA Code recommends that, in the interests of maintaining their independence, NEDs should not normally participate in performance-related remuneration schemes or have a significant interest in a company share option scheme; any performance-related remuneration for NEDs should be proportionate, and shareholders must be consulted and their support obtained. However, in Adriatic's case the options granted to the NEDs have no performance conditions and vested fully on the date of grant, and it is not considered that they compromise the NEDs' independence.

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

b. Board Performance Effectiveness Review



The most recent board performance effectiveness review was undertaken internally during November and December 2022 through one-to-one interviews conducted by the Chairman, Michael Rawlinson, supported by one of the Company Secretaries.

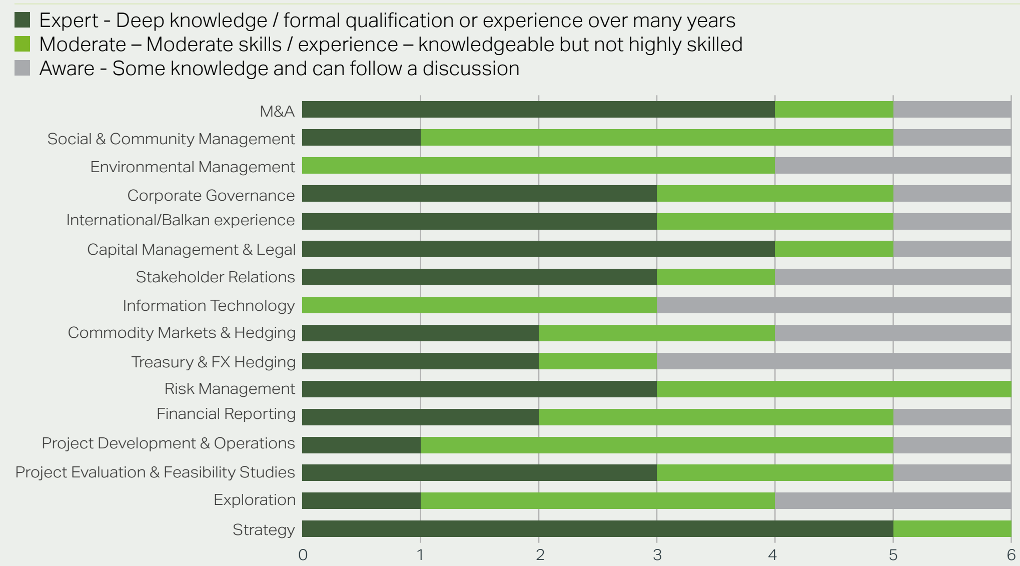
The interviews were structured to seek the Directors' views on a number of subject areas including those outlined below.

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

Discussion around risk management including evaluation and reporting

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

Adriatic Board Skills Matrix Self Assessment Dec-22



Corporate governance report

Board composition

Directors were generally broadly happy with the size of the Board and skills on the Board at the moment (local/mining/exploration/financial/corporate/legal). Three potential areas were identified where another skill could be added:

ESG. No deep sustainability experience from industry or regulatory side on the Board. Not especially an issue if are planning to upgrade expertise in the Company at an executive level or through the use of consultants.

M&A. Should the Company acquire a material asset in another jurisdiction or commodity, it may be appropriate to seek requisite additional skills (depending e.g. on the jurisdiction).

Non-mining/continental European perspective. It was noted we have a Board that is primarily UK/Australian/Bosnian in focus with a heavily mining oriented career history. A director with perspectives away from the industry and with a different but relevant relationship network in regulatory/political spheres might add good value. This might be especially relevant if the de-globalisation initiative gains momentum and regional natural resource policies become more muscular.

In summary, the Board felt that there was no immediate need to make changes to board composition quickly but there should be a watching brief to move in the next 12 months or so. Once the Company is in production and/or has made a major strategic move, it will be clearer how board size and composition should be progressed.

2022 Board Performance Effectiveness Review Findings

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

The principal observations and recommendations arising from the 2022 board performance effectiveness review process were as follows:

Overview

The Company has had another very successful year of growth in 2022:

It has achieved its major milestones at the Vares Project to keep it on budget and on schedule during a difficult operating environment;

It has done this through some very good HR initiatives – onboarding some great new hires and providing ongoing development for personnel;

Safety and culture have been a priority and it has been good to see such good progress on LTIs (lost-time injuries) and other metrics in this area. The Company continues to have excellent relationships with its local stakeholders;

It has made substantial progress strategically - in resource growth at Vares, in its understanding of its Raska asset and in the development of its multi-mine strategy; and

It has made great progress in the financial markets – with the share price outperforming in absolute terms and relative to peers. This has been assisted by a strong investor relations and social media presence which has helped secure the acquisition of some key new shareholders.

As the Company enters the final construction phase of the Vares Project, it is clear that both the complexity of the business and the overall level of risks it faces will rise. This will imply a need for a greater focus from the Board and management.

Value and role of the Board

There remains a good level of understanding regarding the Board and its role. The Board has high confidence in the management team and understands that it is management's role to manage the business. The Board is there to help management set the standards and agenda and provide mentorship and support. The relationship with the Board has matured over the last couple of years and Board members report that they feel more valued and engaged now that on-site visits have become more possible post-Covid.

Focus on major challenges

There was a strong sense that the Board was spending the appropriate time and focus on the issues that mattered most. It is appropriate that it is focusing mainly on the issues affecting the immediate delivery of the Project but it was also noted that the initiatives in the past year to develop a business development strategy were well timed.

There is a realisation that the immediate focus will change from construction/skills acquisition and financing to the optimising of systems – continuous improvement in production, reporting, safety, training, working capital etc.

The Board was broadly happy with the areas of immediate focus (including e.g. safety, budgeting, HR systems which received positive mention), but noted that tighter control was needed over contractor management (in drilling, civils and mining).

Areas where the Board felt it should focus more on in 2023 include contractor management, optimising information systems for production, incident reporting, haul road vulnerability (slippages etc) and overall readiness for incidents and emergencies (evacuation drills etc).

Recommendations:

Management to report back on learnings from issues beyond just safety – including areas such as contractor issues - in order to institutionalise Adriatic as a learning corporation.

Strategic insight

The Board appreciated the strategic deep dive held in 2022 and was overwhelmingly positive about the contribution from the new Head of Business Development. Whilst there is agreement with the strategy as set out in early 2022, it was felt the Board should revisit the broad approach annually to re-test its applicability (commodity focus, target scale and stage of development, country focus).

Recommendations:

Head of Business Development to refresh corporate strategy to Board during 2023, re-testing the hypothesis of a European focus with base, precious and critical minerals. Specifically update in the context of the de-globalisation debate, critical mineral availability in Europe and related European policy.

Corporate governance report

Insight into the business and information flows

The Board felt there was very good information flow from management. The CEO is very transparent around the key issues and opportunities and the monthly updates were highly valued, which is key to building trust with the Board.

Information contained in the board materials have been increasingly comprehensive in 2022 and covers all the key data but remains concise, which is highly appreciated by the Board. Individual presentations from department heads are valued and as the Company grows the Board felt it important to allocate more time to the board meetings in order to consider all the material provided by management.

Recommendations:

Improve board planning for board content to make the process more efficient as the quantity of information ramps up. This will involve:

1. Grouping committees with quarterly board meetings to make a 1.5 to 2 day board meeting, with committee Chairs to report key findings to full Board.
2. Workflow planning so the focus of each quarterly board meeting is known a year ahead (e.g. results/strategy/budgeting).
3. Managing the agenda for each board meeting more carefully. The UK-based Company Secretary, Chairman and CEO to work on main focus and key management presentations for each board session. To assist with this, management needs to summarise key risks and opportunities in their presentations in order to highlight these for the Board.
4. Making use of Diligent for committee materials as well.

Need regular updates from the UK-based Company Secretary on legal context and governance environment, including a potential move to the premium segment of the main board of LSE. This may involve training for the Company Secretary and/or individual NEDs.

Risk discussion

The risk discussion has improved markedly over 2022 with a good risk register involving the whole Company. The CEO's very close eye on the business is seen as a real asset in terms of risk management. The Company has also responded well to risks as they evolve – quickly, transparently and with integrity.

There needs to be more consistency of focus on risk in every quarterly board meeting - to look at the top 10 risks more often and update them as risks evolve (political/operational/people/contractors etc.).

The Board members have been most focused on evolving risks with construction; the haul road (construction and post-construction risks e.g. accident/landslide/blockade); skills acquisition and training; ERP and systems reporting; and contractor management.

The Board noted that producing companies often have a risk tolerance matrix, including matters such as maximum leverage, minimum liquidity, and also some strategic/operational/geopolitical metrics which are used to guide strategy e.g. AISC, LTIFR, resource life, country exposure.

Recommendations:

Management to report back to Board on preparedness for prospective risks including ERP systems for production, haul road vulnerability, skills availability in key departments.

Develop a risk tolerance matrix at some stage - especially for post-production and if M&A under consideration.

Include risk matrix as standing item for each quarterly board meeting.

Culture and behaviours

The Board recognises this has been a key area of focus in 2022 with the CEO leading from the front. The internal and external representation of the Company's vision and values has been first class. There have been clear messages supported by the Board, including regarding safety, diversity, empowerment, up-skilling, communities.

The Board felt it should revisit the successes in relation to culture and assess where more work was needed. The Board had the impression the Company seemed to have had more success internally than with external contractors – therefore the Board considered it should revisit what more needed to be done in that regard.

The Board considered that thought should be given to appropriate team-building opportunities and activities for senior management in the year ahead.

Recommendations:

Revisit approach to senior managers' leadership and culture training.

Revisit and refresh way we promote and maintain our culture and values with contractors.

Corporate governance report

People

The Board has been impressed with the quality of the senior managers this year and is happy to see that the CEO is better supported as the Company enters into a critical year in its development. Adding quality senior managers incrementally de-risks the Project and also makes for a better and sustainable working environment for all.

There has been good work on succession planning and talent development. Whilst HR updates have been long and detailed, the focus of board reporting should be more on key hires, addressing skills deficiencies and succession planning for a mine without expats, taking into account the views of the new General Manager Operations.

Regarding succession planning, the Board felt it premature to discuss given the executive management team was so new – but emergency plans should be in place in the case of sudden departures and a three-year development plan for nationalisation of key executive roles would be welcome.

Board dynamics

Board dynamics have improved markedly during 2022 with a return to more face to face meetings post-Covid. The monthly informal updates (via calls) complement the longer formal face to face quarterly board meetings well. As a result, Board members feel engaged and included.

Engagement is especially good where all Board members can be present for the twice-yearly on-site meetings. Board members are encouraged to stay on to get to know key team members after board meetings and/or visit the team in London if they are passing through. Supporting management can only be possible if Board members know the key people and are across the key issues. More personal contact means better advisory outcomes.

For good governance the Board felt that NED meetings should be held more often, e.g. twice a year, perhaps at the end of each site visit.

Corporate governance report

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

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

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

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

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

d. Director Commitments (also see Remuneration & Nomination Committee Report)

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

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

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

e. Board Meetings

The Board meets formally once per quarter, with additional meetings held as required to review the corporate and operational performance of the Group and address any other issues that need to be dealt with before the next scheduled meeting. The Directors also hold informal conference calls on average once per month (during those months where there is no quarterly Board meeting) in order to receive regular updates from the Managing Director and Chief Executive Officer.

During the year, following the ending of the Covid-19 restrictions, the majority of the Board met physically on a quarterly basis, with those unable to attend physically participating remotely by video-conference.

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

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

A summary of attendance at board meetings in the year ended 31 December 2022 is set out below:

Director	Independent	Maximum possible attendance	Actual attendance
Michael Rawlinson	Yes	4	4
Peter Bilbe	Yes	4	4
Paul Cronin	No	4	4
Julian Barnes	Yes	4	4
Sandra Bates	Yes	4	4
Sanela Karic	No	4	4

f. Board Committees

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

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

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

Corporate governance report

g. Audit & Risk Committee

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

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

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

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

Committee attendance during the year:

Director	Independent	Maximum possible attendance	Actual attendance
Sandra Bates (Chair)	Yes	4	4
Michael Rawlinson	Yes	4	4
Julian Barnes	Yes	4	4

h. Sustainability Committee

The Environmental, Social & Governance Committee was renamed the Sustainability Committee in the spring of 2022 to reflect the Company's appreciation of the holistic nature of all aspects of corporate and operational sustainability. The role of the Sustainability Committee is to assist the Board in fulfilling its oversight responsibilities, by reviewing and monitoring any matters relating to the management of workforce, community or environmental impacts (in accordance with the ESG Policy annexed to the ESG Committee Charter), the management of stakeholder relationships, and the oversight of permitting and relevant regulatory risks. The Committee also seeks to identify opportunities to strengthen the Company's licence to operate and to strengthen the sustainability and resilience of the communities and regions where Adriatic companies operate. It will also provide scrutiny of, and guidance to, executive management on these issues.

During the year and at the date of the Annual Report the composition of the Sustainability Committee was Sanela Karic (Chair), Michael Rawlinson and Peter Bilbe. In accordance with the Committee Charter, all of its members are Non-Executives and the majority were independent throughout the year. The Committee met four times during the year with all Committee members attending each meeting.

Dominic Roberts, Head of Corporate Affairs and executive lead for environmental, social and governance compliance acts as the Committee's secretary. Critical Resources, the Company's sustainability consultants, continued to provide direct support to the Committee until Q2 of the year when they had completed the final mentoring stage of their contract.

In 2023 the Company will publish its first stand-alone Sustainability Report, containing more detailed information on the Company's sustainability activity and the Committee's deliberations during the year.

Committee attendance during the year:

Director	Independent	Maximum possible attendance	Actual attendance
Sanela Karic (Chair)	No	4	4
Michael Rawlinson	Yes	4	4
Peter Bilbe	Yes	4	4

Corporate governance report

i. Remuneration & Nomination Committee

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

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

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

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

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

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

Corporate governance report

j. The Board as a whole

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

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

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

k. List of Directors

Michael Rawlinson
Non-Executive Chairman

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

Peter Bilbe
Non-Executive Director

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

Paul Cronin
Managing Director and Chief Executive Officer

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

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

Julian Barnes
Non-Executive Director

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

Sandra Bates
Non-Executive Director

Ms Bates is a commercial and strategic international lawyer with over 20 years' experience advising management teams and boards of both listed and private companies in the UK and internationally. She is a risk assessment specialist and brings extensive experience of guiding clients in the natural resources sector through complex negotiations often with a cross-cultural element. Ms Bates is General Counsel & Corporate Secretary for Elemental Altus Royalties Corp, a Non-Executive Director of ASX Listed Predictive Discovery Limited and a member of Women in Mining UK.

Sanela Karic
Non-Executive Director and Consultant

Ms.Karic, a Bosnian national, brings a wealth of experience, with 20 years of experience as a lawyer and a career spanning corporate affairs, mergers and acquisitions, and human resources. Ms Karic is a graduate of the University of Sarajevo. After passing the bar exam, she built her career as a lawyer, public notary deputy, and for five years as an Executive Director for Legal Affairs at the Prevent Group, Bosnia's largest diversified industrial corporation with businesses in the EU. Currently, she is the shareholder and CEO of Legal Solutions d.o.o. a law firm in Bosnia, providing legal and consultancy services mainly for foreign investors. Ms Karic has also provided consultancy services to Eastern Mining d.o.o. providing advice in the year in respect of permitting the haul road.

Corporate governance report

l. Board Advice During the Year

Critical Resource, a subsidiary of the ERM Group, was engaged until Q2 of the year to support the development of the Sustainability Committee. H2Glenfern was engaged to advise the Remuneration Committee on its remuneration policy.

m. Internal Advisory Roles

i) Company Secretary

The joint Company Secretaries during the year were Gabriel Chiappini (Australia) and, until 30 April, Geoff Eyre (UK), the latter of whom combined the role with that of CFO. From July, Jonathan Dickman replaced Geoff Eyre as joint Company Secretary (UK), combining the role with that of General Counsel. The Company Secretaries are responsible for advising the Board on the Company's legal and regulatory compliance, including (for the UK) the Market Abuse Regulation, and play a central role in ensuring good governance. They assist the Chairman in preparing for and running effective board and shareholder meetings and act as the first point of contact for the NEDs on the workings of the Company, providing information and advice, and also general guidance on their duties as Directors. The Company Secretaries report directly to the Chairman on governance matters.

ii) Annual Board Appraisal

In accordance with current best practice and the Code, the Board undertakes an annual formal evaluation of its performance and effectiveness and that of each Director and each Committee. In line with the QCA Code Principles, the evaluation is based on clear and relevant objectives, seeking continuous improvement. A summary of the findings from the 2022 Board evaluation is set out in section b above.

n. Ongoing Board Development

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

Non-Executive Directors are encouraged to raise any personal development or training needs with the Chairman or through the Board evaluation process.

i) Succession Planning

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

Audit & risk committee report

Sandra Bates
Chair of the Audit & Risk Committee

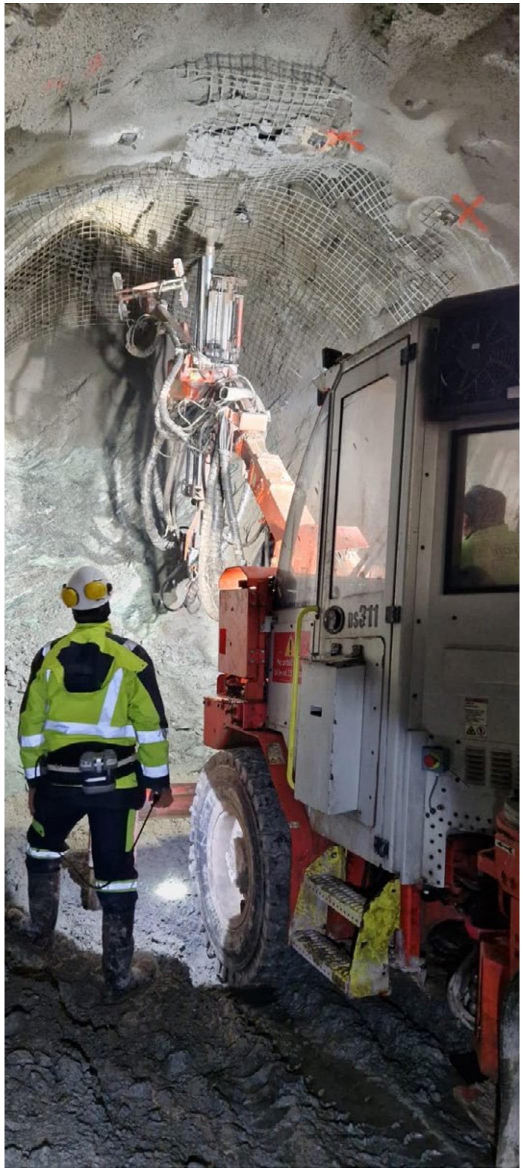
"I am pleased to present this report on the activities of the Audit & Risk Committee for the year ended 31 December 2022."

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

Committee meetings are held at least twice a year, and the CFO and Company Secretary are invited to attend together with the external auditors. During the 2022, four meetings of the Committee were held during the year, and the following significant issues were considered:

Significant issue	Summary of Significant Issue	Actions and Conclusion
Going concern	Assessment of the Group's ability to continue as a going concern as part of the preparation of the financial statements. This includes considering whether the Group has adequate resources to continue in operation for the foreseeable future from the date of anticipated signing of the financial statements. The assessment of going concern covers a period of at least 12 months from the date of signing the financial statements.	The Vares Feasibility Study was completed in August 2021 with a Project NPV of $1.1 billion and build cost of $168.2m. An equity raise was successfully closed on 29 October 2021 and Orion debt finance documents were executed to provide the Group with sufficient funds to complete the Vares Project construction and cover ongoing owner costs until production commences in Q3 FY23 and the business becomes self-sustaining from cash flows from operations. Definitive documentation executed for the $142.5m Debt Finance Package with Orion was announced on 10 January 2022. Of this total, $30m was drawn down prior to 31 December 2022 and $52.5m was drawn down in February 2023, leaving $60m currently undrawn at the signing date of these consolidated financial statements. The Committee has considered each of the conditions precedent to the remaining draw downs and is confident that the Company will be able to satisfy them when required for the Vares Project development. As announced in the Company's Quarterly Activity Report for the quarter ended 31 December 2022, the Project cost estimate has increased to $183m including an unutilised contingency of $10m. Sensitivity analysis of uncommitted construction costs and potential project delay indicates that the Group and Company have sufficient cash resources to continue in operation for a period in excess of 12 months from the date of signing the consolidated and Parent Company financial statements. A Debt-Service Coverage Ratio ("DSCR") covenant is included in the Orion debt finance package, with the first DSCR testing period expected to be mid-2024. The DSCR is required to be above 1.25x and the Company's forecasts show substantial headroom above this. The Directors therefore believe there is not a material uncertainty regarding going concern and that it is appropriate to prepare the financial statements on a going concern basis.

Audit & risk committee report

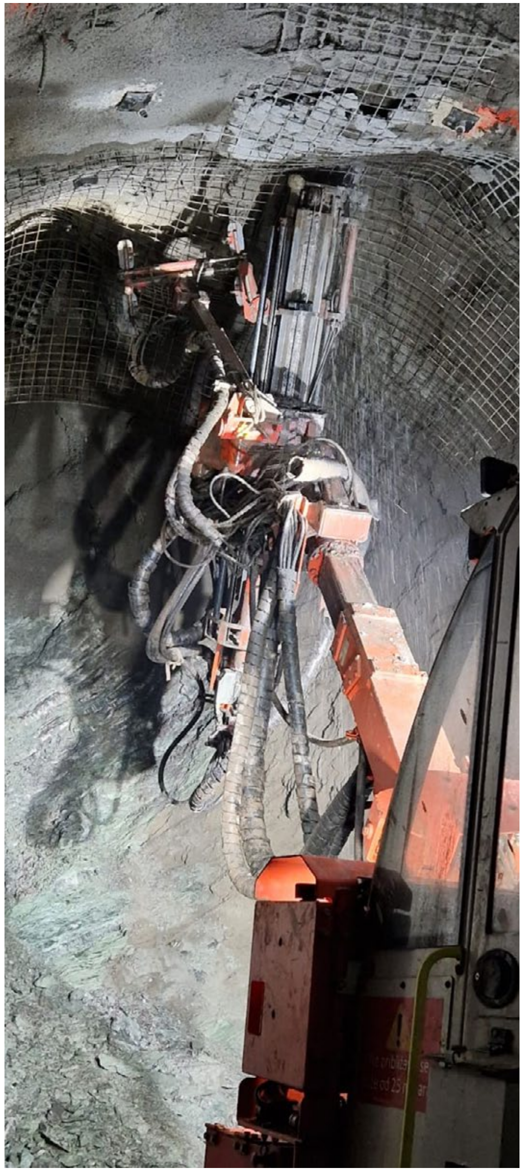


Significant issue	Summary of Significant Issue	Actions and Conclusion
Property, plant and equipment carrying amount	The Group's total property, plant and equipment, including mine under construction of $77.9m (31 December 2021: $29.9m) is material to the Group's balance sheet. Property, plant and equipment and intangible assets with finite lives are reviewed for impairment if there is an indication that the carrying amount may not be recoverable.	The value in use of an asset is the total of the expected future cash flows that the asset in its current condition will produce, discounted to present value using an appropriate discount rate. The sensitivity of the Vares Project to key project inputs is considered within the Feasibility Study, based on its post-tax NPV 8% of $1,062m. Analysis of sensitivities such as changes to metals price, operating costs, initial capital cost and head grade, shows that significant headroom exists over the Vares Project's mine under construction carrying amount. The carrying amount of property, plant and equipment appears to be supported.
Rehabilitation provision	Calculation of the rehabilitation provision is complex requiring estimates of future cost to be incurred. Actual operations and life of mine may not be in line with the original plan and Feasibility Study design, and the rehabilitation estimate will therefore need to be updated on a regular basis as construction and mining progresses.	The overall cost to be incurred is subject to change. Management has used Wardell Armstrong's conceptual mine closure plan prepared at the Feasibility Study stage to estimate total future costs using current restoration standards and techniques. Management assessed the progress of the Vares Project to date to determine the estimated outstanding rehabilitation work required, as well as assess any changes from the original conceptual mine closure plan. To determine an appropriate discount rate and calculate the provision to recognise, management considered risk free rates and long term inflation projections in order to discount expected cashflows over the life of the Project. The rehabilitation provision of $4.4m recognised represents the net present value of the best estimate of the expenditure required to settle the obligation for future close down, restoration and environmental obligations caused by construction activities at 31 December 2022.
QRC convertible debt	The accounting and disclosure of the convertible debt of $16.3m (31 December 2021: $16.1m) and its embedded derivative liability valued at $6.4m (31 December 2021: $2.5m) is a complex area and should be accounted for at fair value in accordance with IFRS 9.	Management engaged the services of independent valuation experts to assist in determining the appropriate fair value of the debt including the fair value of the derivative liability which was revalued at 31 December 2022.

Audit & risk committee report

Significant issue	Summary of Significant Issue	Actions and Conclusion
Adriatic Foundation assessment of control	The Adriatic Foundation (the "Foundation") is a not-for-profit trust which was created in Bosnia and Herzegovina with the objective of supporting the communities around the Vares Project. Adriatic Metals PLC provided the initial funding required for the formation of the Foundation. For the purposes of consolidation and related party disclosure, consideration needs to be given to whether the Group controls this entity and if so, at what point did this control pass to the Group.	For the purposes of consolidation, an assessment has been performed to determine whether the Company controls the Adriatic Foundation in accordance with IFRS 10. The conclusion of this assessment is that whilst the company is able to yield significant administrative influence over the Foundation, it is not able to affect returns to the Company. The Foundation statute prevents the Company as the founder, and any other person associated with the Foundation, from directly or indirectly deriving profit, or any other material or financial benefit, from the activities of the Foundation. For the purposes of IFRS 10, 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. The Company has the ability to appoint the Board of Trustees of the Foundation and transactions between the Company and the Foundation have therefore been classified as related party on the basis of the company exercising significant influence.
Functional currency	The functional currency of each legal entity needs to be assessed on an ongoing basis to determine whether its base currency remains appropriate. The US$244.5m Project Finance Package provides the Group with sufficient funding through construction to first concentrate production at the flagship Vares Project. The package included US$142.5m Debt Finance Package from Orion Mining, comprising US$120.0m of Senior Secured Debt, and a US$22.5m copper stream both denominated in USD.	The Group undertook a review on an entity-by-entity basis to determine the impact of the anticipated debt financing as well as commencement of the construction phase of the Vares Project. The results of this review determined that the functional currency of each of Adriatic Metals plc, Eastern Mining d.o.o. and Adriatic Metals Jersey Ltd should be changed to USD based on the primary economic environment in which they operate. The Group exercised judgement in determining the date of change to be 1 January 2022, to coincide with the start of the year, as well as the imminent signing of the Orion Debt Finance Package and the mining services contract, which are both based in USD.
Share-based payments	Determining share-based payments expense is complex and the expense is stated at fair value at the time of grant, calculated using the Black-Scholes option pricing model which requires a number of inputs.	Management used inputs from impartial external sources, including risk-free interest rate, expected volatility, and expected life in order to appropriately calculate share-based payments reserve postings and share-based payments expense during the year.

Audit & risk committee report



Significant issue	Summary of Significant Issue	Actions and Conclusion
Raska Project carrying amount	Management is required to assess whether there are any indicators that an asset may be impaired in accordance with IFRS 6 at the end of each reporting period. If any such indicators are identified a full impairment test in line with the requirements of IAS 36 is necessary. With over 12 months having passed since the acquisition of the Tethyan Resource Corp. group, it was considered whether there were any indicators of impairment and whether the carrying amount of the Raska Project USD 31.9m arising on acquisition remained appropriate.	In late 2022 the Company carried out a strategic review of the Raska Project which resulted in changes to the development plan for the project. Focusing its resources on Vares Project construction and on exploration at Rupice and Rupice NW means that resources available for exploration in Serbia will be more focused and limited in the coming year. The Company therefore plans to develop the Raska Project over a longer horizon, including advancing new prospects in the Company's tenement area during 2023 to complement Kizevak and Sastavci. Although the Company remains positive about the future prospects for Raska, it has determined that the longer development horizon now envisaged makes it appropriate at this time to recognise an impairment of $23.2m against the project's carrying amount, reducing the carrying amount to $8.5m at 31 December 2022. The carrying amount has been determined by a benchmarking exercise using industry standard valuation measures.

External Auditors' Fees

There was no significant non-audit work carried out by BDO subsequent to their appointment. Full details of fees paid during the year may be found in note 17 to the consolidated financial statements.

Objectivity and Independence

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

Re-appointment of External Auditors

The Committee recommends to the Board the re-appointment of BDO as auditors at the forthcoming 2023 annual general meeting (AGM), and BDO has expressed its willingness to continue in office.

Internal Auditors

The requirement for the appointment of an internal auditor is continually assessed by the Committee, taking into account the level of spending and complexity of the Group's operations. To date, the Committee has decided that an internal audit function is not required but will continue to assess the situation on a regular basis.

Going Concern

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

Conclusion

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

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

Sandra Bates
Chair of the Audit & Risk Committee

Environmental, Social & Governance committee report

Sanela Karic
Chair of the Sustainability Committee

The renaming of the Committee in the spring of 2022 reflected the growing maturity of the Company's approach to all aspects of its environmental, social and governance responsibilities.

The Committee recognises that these critical components of its operational philosophy are not siloed workstreams, but part of an integrated and holistic approach to developing and sustaining the approval of all stakeholders, including our staff, so as to prosper together. The concept of shared prosperity being a key tenet of the Company's Visions and Values.

As the Company entered its development year, it also entered a new phase in its relations with its key stakeholders, and particularly its host communities and environment. Whilst development brings with it wider economic opportunities, and the impact of this is tangible in the municipality of Vares, it also brings increased pressure on host infrastructure, environmental challenges and therefore the potential for friction.

During development balancing the needs of the sustainability strategy and the pressure of the construction programme is not an easy task. Competing priorities can put significant pressure on the team, but they have consistently demonstrated the courage of their convictions to do the right thing and not shortcut the Company's properly demanding standards. I am proud of the way in which they have worked through challenges and achieved solutions that respect both important aspects of the Company's strategy. This has required increasingly close cooperation between all staff members, and through a challenging and busy year it is gratifying to see how closely, and collegiately, they are working. This gives me huge confidence for the future.

One of the principal challenges during development is contractor management. So many vital aspects of the Company's sustainability strategy are delegated to third-party contractors. Many of whom are not used to operating within the strict environmental and social management plans that the Company has implemented. This has required significant education, mentoring, and monitoring by our staff to ensure that the Company's standards and values are adhered to by all our contractors, and the multitude of their subcontractors. This is particularly the case with the main mining contractor. This is not only the largest contract the Company has awarded, but also the most complex and the one with the most crossover into our communities and their environment. I have been very pleased by their willingness to conform and particularly the way in which they have integrated into the community. Bringing a large number of internationals into a small town carries with it a lot of potential for friction and even conflict. The main mining contractor has navigated this carefully and their international staff have approached the local population with friendliness and openness. And accordingly, they have been received well.

The hard work of the previous years, and in particular the thoroughness of the ESIA and its resulting environmental and social management plans is paying off. By investing so much effort into determining both the community's wishes and their concerns, and addressing many of them ahead of development, the Company established the conditions for success before earthworks commenced. There have been a number of isolated issues, particularly from the pressure of outsize deliveries on the mountain access roads temporarily connecting Rupice. These have been addressed and I am proud of the way in which both the Sustainability and Operational teams have addressed the community's concerns.

Moreover, the Company has not just managed the development works successfully, it has continued to realise its longer term strategy and this year saw the realisation of a sustainable Community Development Plan. Critical to the concept of "Shared Prosperity" this initiative brings together community, municipality, external NGOs and international partners to provide the local population with the skills to enjoy a mutual future prosperity. The take up of a free English language course was well above expectations. External partners are running business plan development courses. Financial NGOs are providing seed-capital and micro-funding, and our bankers will provide access to the credit required for existing businesses to expand. The Procurement Team are working hard, both to let contracts to local companies and to require national and international suppliers to establish operations in the wider municipality. Our drilling contract has opened an office in Vares, and the Mining Contractor is integrating superbly into the local town.

The opening of the Eurofarm medical centre in the summer was a very important part of the sustainability progress the Company has made. From the feedback received during the Health Impact Assessment (the first to be conducted for a natural resources project in the county) a significant gap in the provision of primary health care was identified. By partnering with Eurofarm and opening this centre, the Company has supplemented the state offering. Significantly reducing waiting times and often the requirement for the local population to travel to the wider canton for treatments. The medical centre is a magnificent example of sustainability done well, and I congratulate all who helped make it happen.

Government support for the Project remains strong, as does that of the international community. Since the unfortunate outbreak of the war in Ukraine we have seen a huge increase in international focus on Bosnia and Herzegovina, and indeed the entire region. Bosnia and Herzegovina has been accepted as a candidate for accession to the European Union. This will help strengthen the country's political base and improve the international business community's perceptions of the country. Further the European Union has recently published a critical raw materials policy, requiring the continent to increase production of the raw materials necessary to both underpin its manufacturing base and supply the critical metals required for a carbon free future including copper which the Company will shortly be exporting. Taking all these factors into account it is not unrealistic to see greatly increased foreign investment and an economic revival of the country.

In the weeks following the publication of this Annual Report which includes TCFD compliance disclosures, the Company will publish its first stand-alone Sustainability Report. This will both capture the work completed to date and set out the Company's ambitions, including net-zero targets, over the coming years.

The Sustainability Committee met four times in the period. Deciding with Critical Resources in the spring that their mentoring services were no longer required, the Committee was renamed and has operated without external assistance since the spring. 2023 will be challenging for all of the Company, but I am confident that the groundwork has been laid to successfully continue our journey of Shared Prosperity.

Sanela Karic
Chair of the Sustainability Committee

Remuneration & nomination committee report

Peter Bilbe
Chairman of Remuneration Committee

PART 1
SUMMARY STATEMENT FROM THE CHAIRMAN

Dear Shareholder

On behalf of the Board, I am pleased to present the Remuneration & Nomination Committee Report, which sets out the Directors' remuneration report for the year ended 31 December 2022.

It has been prepared in accordance with the requirements of The Large and Medium-sized Companies and Groups (Accounts and reports) (Amendment) Regulations 2013 (the Regulations). It is also now the third year since we had our first Directors' remuneration policy approved in November 2020, and at our May 2023 AGM we will be asking shareholders to renew the policy for a further period of up to three years.

The Regulations apply to the Company because it is a UK incorporated company and was admitted to the Standard Segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange's Main Market (Standard Segment) on 12 December 2019. The Company has resolved to comply with the provisions of the Quoted Companies Alliance Corporate Governance Code (QCA Code) so far as is practicable given the Company's size, nature and stage of development. A summary of the Remuneration Committee's role and membership can be found in the Governance section of this Annual Report.

After this introductory letter, this Report contains the Annual Statement on Remuneration covering the year ended 31 December 2022, reflecting the arrangements in place during that year.

As we say above, we will be seeking shareholders' approval to renew our Directors' remuneration policy at the 2023 AGM. We are currently undertaking a review of the share plans provision within our policy and, accordingly, we intend to include our proposed revised policy with explanatory notes in our AGM notice. This will highlight any changes from the current policy.

An important point to note is that, as required by ASX rules, all share incentive awards to Directors are required to be approved by shareholders at a general meeting. Share awards are a key part of Adriatic's Directors' remuneration policy.

At our 2023 AGM there will therefore be a number of resolutions on pay matters:

1. The normal annual advisory vote to approve this Directors' remuneration report;
2. The three-yearly vote to renew our Directors' remuneration policy; and
3. Votes to approve share awards to Paul Cronin.

Remuneration policy – application in 2022

As has been the case since our admission to the London Stock Exchange's main market, the Directors' remuneration policy is intended to fit the current size and profile of the Group, to support the achievement of the Group's operational, business, financial and strategic objectives and align the interests of the Directors with shareholders over the short and longer term. To achieve our goals, the Group seeks to provide competitive overall pay, split between fixed and performance-related elements.

Paul Cronin, our CEO, is our only main board executive director. Mr Cronin receives base remuneration split between Director's fees and consultancy fees paid by the Company and its wholly owned subsidiary Eastern Mining d.o.o. He receives no pension or benefits.

Mr Cronin participated in the Company's STIP during 2022. As detailed later in this report, his STIP payment in respect of 2022 was US$279,887, being 90% of the maximum of 100% of salary, reflecting strong performance across the target metrics.

In 2022 the Company operated a structured long term incentive plan which allowed for awards of performance rights following the year end, subject to the attainment of relative shareholder return and corporate targets in 2022.

Based on 2022 relative shareholder return and corporate objectives performance targets, Mr Cronin will be granted 142,778 performance rights with a value of $294,400 (based on a share price of £1.70p being the volume weighted average share price over the final 30 days of 2022), being approximately 95% of his 2022 salary. The grant of these performance rights is subject to a separate shareholder resolution to be put to the 2023 AGM in line with ASX requirements. The performance rights will vest 3 years from the award date, subject to continuing employment and be subject to a further two year holding period.

Having considered the Company's overall performance in 2022, the Committee decided that the outcomes for our CEO under the 2022 STIP and in respect of the performance rights to be awarded for 2022 performance were appropriate and should apply without further moderation.

Historically, the Chairman's and Non-Executive Directors' remuneration has been pitched at modest levels with one-off option awards. As an ASX listed company, all share awards to Directors have been approved by shareholders. However, as we explained last year, the Company does not intend to grant further share options to our Chairman or Non-Executive Directors.

Remuneration policy – proposed application in 2023

As we have said consistently in past Directors' remuneration reports, as the Company develops, including bringing its lead asset into production and building its asset portfolio, it will further develop its executive, senior team and Non-Executive director remuneration arrangements to reflect its changing profile and priorities.

We will seek shareholders' approval to renew our three year authority for our Directors' remuneration policy at our 2023 AGM, and the full policy will be set out in our 2023 AGM Notice of Meeting. However, we expect the revised policy to be largely consistent with the current policy. Our CEO will again have fixed pay

Remuneration & nominations committee report

arrangements which we regard as appropriate and our STIP plan will continue, with its operation being largely consistent with how the plan operated in 2022.

The one area which we are reviewing is our long term share plan provision. While our current long term incentive plan measures performance over a one-year period prior to the grant of share plan awards (which are then subject to continuing employment only until vesting), as the Company has developed and moved closer to production, we are considering whether a more standard LTIP structure with forward-looking three year performance measures from the time of LTIP award might now be more appropriate for the Company's current stage of development. Should we make this change, we will only do so if we can be satisfied that robust performance measures (which are in the best long term interests of shareholders) can be set over the three year performance period.

Also we will be mindful regarding the potential individual quantums available under a revised LTIP programme. We would be effectively moving from a retention based "restricted stock" form of award (the current maximum award to our CEO is 100% of salary per annum) to a more traditional LTIP, and so should we decide that we will move to a new LTIP, we would expect to apply the "conversion ratio" which UK investors have tended to accept of one restricted stock award equating to two LTIP awards subject to on-going performance conditions.

In terms of actions which we have already taken for 2023, we have reviewed our CEO's fixed pay. Mr Cronin's effective salary continues to comprise two elements: board fees of BAM94,904 and consultancy fees. Mr Cronin does not receive a pension contribution or other fixed pay. While the board fees for 2023 remain unchanged, the consultancy fees element has been increased to £328,000 (2022: £225,000, an increase of 45.8%). At the exchange rate on 31 December 2022, the total amount was approximately $448,000. Even with this increase, our CEO's total fixed pay remains at levels which are modest for a company of our scale.

Remuneration & Nomination Committee

Remuneration & Nomination Committee meetings are normally held at least once a year and the Committee met twice during the year ended 31 December 2022. Additionally, matters for its consideration were discussed at Board meetings on several occasions. On each occasion, no Director was present while matters concerning him or her were discussed, and all decisions were taken by Non-Executive Directors, in accordance with the Remuneration Committee's Charter. The Remuneration & Nomination Committee comprises Peter Bilbe (Chair), Julian Barnes and Sandra Bates, all of whom have been deemed by the Board to be independent.

Context within which Remuneration managed

As detailed elsewhere in this Annual Report, during the year the Company achieved considerable progress towards our main objective of developing the Vares Project. In particular, construction at the Vares Project is now 70% complete and with the construction of the Vares Processing Plant well underway the Project remains on schedule for first concentrate production in Q3 2023.

Principal actions and decisions during the year

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

- Approving the Annual STIP bonus outcomes and associated bonus payments to the CEO and senior management in respect of the prior year, as well as setting the KPI targets for the 2022 Annual STIP bonus;
- Assessing performance in 2021 relating to LTIP and ad-hoc performance rights grants to staff in February 2022, none of whom were Directors; and approving the issue of the corresponding performance rights;
- Awards of performance rights to the following senior staff during the year: Chief Financial Officer and Chief Operating Officer, neither of whom are Directors;
- Exercising discretion to approve the exercise of performance rights granted in the prior year by the outgoing Project Director;
- Reviewing the outcomes from the annual board effectiveness review and making recommendations to the Board.

Principal actions and decisions after the year end

The Remuneration & Nomination Committee have taken the following principal actions and made the following principal decisions after the year end:

- Approving the salary increase for the CEO for 2023 and salary increases for certain other staff at all levels across the Group.
- Approving the Annual STIP bonus outcomes and associated bonus payments to the CEO and senior management in respect of 2022, as well as setting the KPI targets for the 2023 Annual STIP bonus. Approving the proposal to offer senior executives and management recipients of STIP bonuses the opportunity to convert and reinvest their cash bonuses into shares of the Company.
- Assessing performance in 2022 relating to LTIP and ad-hoc performance rights grants to staff in February 2023, none of whom were Directors; and approving the issue of the corresponding performance rights.
- Reviewing relative shareholder return and corporate objectives performance in 2022 and determining the number of performance rights to be granted to the CEO in H1 2023 (subject to shareholder approval).

AGM

At our AGM held on 30 May 2022, the annual advisory resolution to approve our 2021 Annual Remuneration Report was supported by 97.16%. We thank our shareholders for their continued support.

As we explained in the introduction to this statement, at our 2023 AGM we will be asking shareholders to approve:

- The normal annual advisory vote to approve this Directors' remuneration report;
- The three-yearly vote to renew our Directors' remuneration policy; and
- Votes to approve share awards to Paul Cronin.

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

Peter Bilbe
Chairman of Remuneration Committee

PART 2 – REMUNERATION POLICY

The Company's Directors' remuneration policy seeks to provide a strong and clear link between business strategy and incentive arrangements.

The current Directors' remuneration policy for executive and non-executive Directors was approved by shareholders at our 6 November 2020 AGM and can be found within our 30 June 2020 Annual Report and Accounts which is available on our website at: www.adriaticmetals.com/investors.

As is explained in the Summary Statement from the Chairman, we will seek a renewal of authority from our shareholders for the Directors' remuneration policy at our 2023 AGM and the full policy for approval will be set out as part of our AGM notice.

Remuneration & nominations committee report

PART 3 – REMUNERATION REPORT (AUDITED)

The Group paid the following remuneration to each Director:

Year ended 31 December 2022

(In USD)	Total salaries and fees	STIP (b)	Share awards vesting in year (c)	Total remuneration	Total fixed remuneration	Total variable remuneration
Executive Directors						
Paul Cronin	328,706	272,597	-	**601,303**	328,706	272,597
Non-Executive Directors						
Michael Rawlinson	123,146	-	-	**123,146**	123,146	-
Peter Bilbe	68,684	-	-	**68,684**	68,684	-
Julian Barnes	62,007	-	-	**62,007**	62,007	-
Sandra Bates	67,730	-	-	**67,730**	67,730	-
Sanela Karic(1)	115,724	-	-	**115,724**	115,724	-
Total Directors' Remuneration	**765,997**	**272,597**	**-**	**1,038,594**	**765,997**	**272,597**

Year ended 31 December 2021

(In USD)	Total salaries and fees	STIP (b)	Share awards vesting in year (c)	Total remuneration	Total fixed remuneration	Total variable remuneration
Executive Directors						
Paul Cronin(2)	334,829	228,094	1,497,409	**2,060,332**	334,829	1,725,503
Non-Executive Directors						
Michael Rawlinson	68,780	-	-	**68,780**	68,780	-
Peter Bilbe	40,532	-	-	**40,532**	40,532	-
Julian Barnes	41,268	-	-	**41,268**	41,268	-
Sandra Bates	41,268	-	-	**41,268**	41,268	-
Sanela Karic(3)	25,922	-	-	**25,922**	25,922	
Total Directors' Remuneration	**552,599**	**228,094**	**1,497,409**	**2,278,102**	**552,599**	**1,725,503**

Notes:

a. There were no taxable benefits or pensions in either the current year or prior year.

b. Cash bonus for Paul Cronin comprised of $279,887 of accrued 2022 STIP bonus for the current year which was paid in January 2023. This compares to the prior year accrued 2021 STIP bonus awarded of $131,802 (measured at 31 December 2021 GBP:USD rate), of which $65,560 was paid in January 2022 and $58,952 paid in January 2023, with an unrealised foreign exchange loss in USD terms of $7,290 at 31 December 2022 which has been recognised in the current year cash bonus. Also during 2021, the performance conditions associated with the KPI cash bonus were met and a cash bonus of $96,252 was paid. This bonus related to the issuance of exploitation permits at Veovaca and Rupice.

c. The monetary value of share awards is calculated as the number of awards vested multiplied by the share price on the vesting date less options exercise price or performance rights nominal value payable. No options or performance rights held by Directors vested during 2022. In 2021, 750,000 performance rights granted on 29th November 2019 with a £0.013355 exercise price vested on meeting the vesting conditions of (a) completion of the JORC compliant definitive feasibility study and (b) the Volume Weighted Average Market Price per CDI (as quoted on ASX) exceeding A$1.25 for the 5 consecutive trading days immediately prior to 31 December 2021. The share price on the vesting date was A$2.71. The value on vesting was $1,497,409 of which $800,081 was attributable to share price appreciation.

1. The Company will benefit from Sanela Karic's increased involvement providing legal expertise to the Group. Whilst providing these services, Ms. Karic can no longer be classified as an independent board member. Out of the total remuneration to Ms. Karic in 2022 set out above, $63,888 was paid in respect of director's fees and $51,836 was paid in respect of the separate consulting arrangement with Ms. Karic.

2. Paul Cronin donated 250,000 of his personal shares in Adriatic Metals to the Foundation during the prior year.

3. Ms. Karic voluntarily chose to waive her emoluments from 1 March 2021 that would otherwise be paid to her by the Company until such time as the Company has received the Rupice exploitation permit. Ms. Karic requested that the Company instead donate the equivalent amount to the Adriatic Foundation. As a result Sanela Karic waived $13,037 of fees (equivalent to four months of fees) which were paid over to the Adriatic Foundation during the prior year.

Remuneration & nominations committee report

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

There were no gains on the exercise of performance rights by Directors during the year ended 31 December 2022.

Gains on the exercise of share options by Directors during the year ending 31 December 2022 were as follows:

	Date of Grant	Vesting date	Date of exercise	Exercise price	Number of share options exercised	Net shares received post any cashless exercise	Share price on date of exercise	Gain on exercise
Michael Rawlinson	29 Nov 2019	29 Nov 2019	26 Sept 2022	A$1.00	100,000	100,000	A$2.01	US$64,961
Michael Rawlinson	29 Nov 2019	29 Nov 2019	26 Sept 2022	A$1.00	900,000	496,878	A$2.01	US$584,652
Sandra Bates	29 Nov 2019	29 Nov 2019	26 Sept 2022	A$1.25	1,000,000	437,574	A$2.01	US$488,818
Paul Cronin/ Dwellstone	27 Apr 2018	1 Apr 2019	26 Sept 2022	A$0.20	5,000,000	5,000,000	A$2.01	US$5,820,797

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

	Date of Grant	Vesting date	Date of exercise	Exercise price	Number of performance rights exercised	Net Shares received post any cashless exercise	Share price on date of exercise	Gain on exercise
Peter Bilbe	27 April 2018	1 April 2019	8 June 2021	A$0.30	900,000	900,000	A$2.75	US$1,658,401
Julian Barnes	27 April 2018	1 April 2019	8 June 2021	A$0.30	1,000,000	1,000,000	A$2.75	US$1,842,668

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

No share awards granted to Non-Executive Directors without performance measures or targets included in total salaries and fees vested during years ended 31 December 2021 and 2022.

Salary of the Executive Director

The fixed remuneration of the Executive Director was US$328,706 (equivalent to £267,000) during 2022 made up of a board fee of BAM 94,904 and consultancy fees of £225,000 (the basis of conversion being monthly average USD rates throughout the year).

Remuneration & nominations committee report

Annual STIP bonus in respect of 2022 performance (un-audited)

Mr. Cronin's maximum opportunity under the STIP was set as 100% of base salary for 2022.

Objectives for the 2022 STIP bonus were set by the Remuneration & Nomination Committee at the beginning of the year and assessment of performance during the year was undertaken at the January 2023 Committee meeting.

Details of the bonus paid to the CEO for 2022, including the specific performance metrics, weightings and performance against each of the metrics, are provided below:

	Target Details	Weighting	Low	Expected	High	Achievement		Achievement Notes
			25%	75%	100%			
Global Resource Growth	At least 10,000m of exploration drilling and expansion of targets that will likely lead to extension of reserves at Vares	10.0%	10,000m	12,500m	15,000m	**High**	**10.0%**	16,107m in Vares and 4,046 in Raska as of end of week 48
Project Cost Control	31/10/22 Project Report shows cost to completion of no greater than 10% negative variance to Agreed Construction Budget.	20.0%	<10% Variance	<7.5% Variance	<5% Variance	**High**	**20.0%**	CAC currently at $183m less $10.2m contingency vs $168.2m budget = 2.7% variance
Project Delivery	31/10/22 Project Report shows timing to commencement of commissioning in line with Construction Schedule	20.0%	< 3 months behind Schedule	0-2 months behind Schedule	On or ahead of Schedule	**High**	**20.0%**	Draw not occurred, but regardless Project Delivery in line with schedule
Permitting	All required permits for amendments to project plan delivered without impact on project delivery schedule. Compliance with permits.	10.0%	Cause 1 month delay in Schedule	Cause 0-1 month delay in Schedule	No Delay in Schedule	**High**	**10.0%**	No Permits have had an im-pact on the Project Schedule.
OH&S	Rollout of integrated H&S plan including all systems and procedures before 30/6/22	5.0%	Before 31/7/22	Before 30/6/22	Before 30/5/22	**Not Met**	**0.0%**	System rolled out in October 2022
OH&S	Total Recordable Injury Frequency	20.0%	<8	<5	<3	**Expected**	**15.0%**	4.10 Includes LTI, MTI & RWI
Project Finance	Compliance with all Covenants	5.0%	No Event of Default	1 Event of Review	No Events of Review	**High**	**5.0%**	First draw of SFA occurred in December 2022. No events of review
Staff Satisfaction	The results of a general staff satisfaction survey on a scale of 1-10	5.0%	<7	>7 <8.5	>8.5	**High**	**5.0%**	New system out of 100. 80% favourable and 14% Neutral = 94% or 9.4
Diversity	Ensure that at least 20% of all staff are female excluding contractors	5.0%	>10%	>15%	>20%	**High**	**5.0%**	29% of all ADT Staff are female
Bonus payable (as a percentage of)							**90%**	Based on combined weighting and achievement of KPI's

The determination of the bonus pay out is at the discretion of the Remuneration & Nomination Committee, taking into account performance during the year against the above scorecard.

In 2022, the CEO's on-target and maximum potential STIP bonus was 75% and 100% of base salary respectively. The Remuneration & Nomination Committee's actual assessment of the CEO's performance resulted in a STIP bonus of 90% of base salary ($279,887) being achieved which was paid in January 2023.

Remuneration & nominations committee report

Long term equity incentives

There were no grants or vesting of options or performance rights to Directors of the Company during the year ended 31 December 2022.

The Company will make first LTIP awards to the CEO in 2023 as referred to in the Summary Statement from the Chairman.

The LTIP award to be made is based on the attainment of relative total shareholder return and corporate performance targets in 2022, with the maximum award being 100% of base salary.

The performance condition for 50% on total shareholder return measured the company's TSR relative to a peer group of 15 international mining production and development companies, being Atalaya, Trilogy, Bear Creek, Discovery Silver, Chaarat Gold, Aurelia Metals, Sandfire, Silvercrest, Mag Silver, New Pacific, Dundee Precious Metals, Osisko, Horizonte, Central Asia Metals and Bellevue Gold. Peer group median and upper quartile TSR were -19% and 0.1%, respectively. Adriatic's TSR at +29.5% was above the upper quartile and this component vested at 100% of maximum.

The corporate objectives were applied consistently with the STIP corporate objectives and these were achieved at 90% (as shown above), making a 95% of base salary award overall.

Mr Cronin will accordingly be awarded 142,778 performance rights with a value of $294,400 (based on a share price of £1.70p being the volume weighted average share price over the final 30 days of 2022), being approximately 95% of his 2022 salary.

The performance rights will vest 3 years from the award date, subject to Mr. Cronin's continued employment, and be subject to a further two-year holding period.

The grant of these performance rights is subject to a separate shareholder resolution to be put to the 2023 AGM. This value is not included in the table above because the award is subject to shareholder approval and the performance rights have yet to be granted. The value will be included in the Single Figure Table for 2023.

Statement of the Directors' shareholdings and share interests (audited)

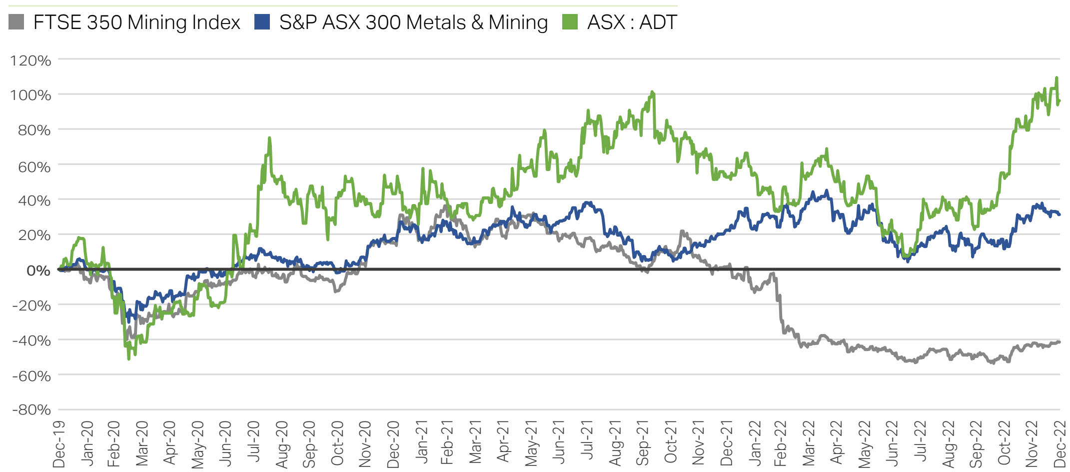
The interests in the Company's shares and other securities directly or indirectly held by Directors at 31 December 2022 who served during the year is set out below:

	Number of Ordinary Shares	Percentage of Issued Share Capital	Number of Options	Number of Performance Rights
Paul Cronin	17,301,332	6.34%	-	-
Peter Bilbe	1,050,000	0.38%	-	-
Michael Rawlinson	411,960	0.15%	-	-
Julian Barnes	1,000,000	0.37%	-	-
Sandra Bates	-	-	-	-
Sanela Karic	-	-	1,000,000	-
	19,763,292		**1,000,000**	**-**
Total in issue at 31 December 2022	272,746,292		5,174,300	941,594

At 31 December 2022, all options in the table above held by Directors had vested.

UK performance graph against CEO remuneration

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



Remuneration & nominations committee report

Cash remuneration for the CEO role decreased in 2022 by 3% compared to the year ended 31 December 2021 and the total monetary value of all remuneration to the CEO decreased by 73% compared to the year ended 31 December 2021.

Lead Executive's historical remuneration (audited)

Period end	Total remuneration $'000	Fixed	Annual bonus payment level achieved (% of maximum opportunity)	LTIP vesting level achieved (% of maximum opportunity)
Dec 2022 (12m)	601	329	90%	n.a.
Dec 2021 (12m)	2,060	335	50%	n.a.
Dec 2020 (6m)	140	140	n.a.	n.a.
June 2020 (12m)	1,083	262	n.a.	n.a.

The Company has operated a structured annual bonus plan since 2021. Before this, the Company used key performance indicator bonuses which did not correspond to specific one year periods. KPI bonuses totaling $96,262 were paid in cash during year ended December 2021 in respect of the issue of exploitation permits for Veovaca and Rupice, and $37,812 in year ended June 2020 in respect of the achievement of the London Stock Exchange Listing.

As at 31 December 2022, the Company had not made awards to the Executive Director under an annual LTIP programme. Prior to 1 January 2021, the Company's policy was to make significant share incentive awards either as options or performance rights, normally with operational or share price performance targets, to be met by specified dates which did not correspond to the Company's annual financial cycle. Performance rights held by the Executive Director vested on completion of a JORC compliant feasibility study and the meeting of the share price performance condition during year ended December 2021 and had a value at vesting of $1,497,409. Performance rights held by the Executive Director vested during year ended June 2020 and had a value at vesting of $782,369.

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

The table below outlines the increase in salary, other pay and benefits and annual bonus for the year ended 31 December 2022 compared to the preceding year for the CEO in comparison to the wider workforce.

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

A. Staff engaged via the Group's UK or Jersey entities only includes representative senior management and international employees including all other Directors and key management personnel.

B. All employees of the group including all other Directors, key management personnel.

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

	CEO	Comparator group A - Senior management and international employees (excluding CEO)	Comparator Group B - All employees of the Group (excluding CEO)
Increase / (decrease) in average remuneration	2022 (1) %	2022 (1) %	2022 (1) %
Cash remuneration:			
Fixed base salary	(1.8%)	74.6%	67.6%
Variable - Annual STIP bonus(2)	106.8%	32.5%	(4.3%)
Variable – Non-annual KPI bonus	(100%)	(100%)	(100%)

Notes:

1. Year ended 31 December 2022 compared to the year ended 31 December 2021
2. Variable - Annual STIP bonus increases/decreases not available prior to 2022 because the STIP programme commenced 1 January 2021

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

Remuneration & nominations committee report

Relative importance of spend on pay

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

The total monetary value of Group remuneration was as follows alongside the total group general and administration expenses and capex. These items are included because they are important items for the Company. The Company made no distributions to shareholders during 2021 or 2022.

(In USD)	Year ended 31 December 2022	Year ended 31 December 2021	% change
Cash remuneration	7,148,757	3,871,054	
Monetary value of vested share awards	569,633	1,996,546	
Total remuneration	**7,718,390**	**5,867,600**	**+37%**
Average number of employees	158	109	
G&A expenses*	**5,183,317**	**3,498,102**	**+48%**
Exploration expenses*	1,361,548	3,962,900	
Property, plant and equipment additions*	39,262,082	9,993,357	
Exploration & evaluation capitalised*	-	2,972,247	
Exploration and capex*	**40,623,630**	**16,928,504**	**+140%**

* Adjusted where necessary to exclude remuneration

Advice on remuneration

During the year, h2glenfern Remuneration Advisory provided limited advice to the Company in relation to benchmarking advice and its remuneration report disclosures. Fees of £10,000 ($11,470) exclusive of VAT were paid. h2glenfern Remuneration Advisory is a member of the Remuneration Consultants Group and, as such, voluntarily adheres to its Code of Conduct. The Committee considers the advice that it receives from h2glenfern to be independent.

Other disclosures on remuneration for the year ended 31 December 2022

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

Remuneration policy in 2023

Executive Director's Fixed Remuneration

Effective 1 January 2023, the fixed remuneration of the Executive Director will comprise board fees at BAM 94,904 unchanged from 2022) and Consultancy Fees of £328,000 (increased by 45.8% from £225,000 in 2022). At the exchange rate on 31 December 2022, the total amount was approximately $448,000.

2023 Short Term Incentive Plan (STIP) and KPIs

The target areas for 2023 and their weightings within the bonus are:

Target Area	Weighting
Demonstrate Exploration Potential	5.0%
Demonstrate Rupice Expansion Potential	15.0%
Project Cost Control	15.0%
Project Delivery	15.0%
Project Ramp Up	15.0%
Occupational Health & Safety	20.0%
Compliance with financing covenants	5.0%
Gender Diversity in the workplace (excluding contractors)	5.0%
Staff satisfaction	5.0%

Further details of the target thresholds are commercially sensitive and will be disclosed together with information on actual performance in each area in our 2023 remuneration report.

The potential maximum percentage of base salary achievable as a bonus under the STIP for the Executive Director is 100% of salary, for Executive Management is 70% of salary, and for Senior Managers is 30% of salary. The Executive Directors bonus is based solely on corporate objectives. Executive managements bonus is based 70% on corporate objectives and 30% on personal objectives. Senior Managers bonus is based 50% on corporate objectives and 50% on personal objectives.

2023 STIP bonuses earned are expected to be paid in either cash or equity during January 2024.

Long Term Incentive Plan (LTIP)

As explained in the Summary Statement from the Chairman at the beginning of this report, we are currently reviewing our LTIP provision and full details of LTIPs for 2023 will be included in the new Directors' remuneration policy which will form part of the Notice of Meeting for the 2023 AGM.

Chairperson and Non-Executive Directors

There are no proposed changes to the annual base fees payable to each non-Executive Director which remain at £50,000 p.a. The role of Chairperson of the Board includes an additional fee of £50,000 p.a. Directors serving as the chairperson of a board committee receive an additional fee of £5,000 for each committee that they chair.

Peter Bilbe
Chairman of Remuneration Committee

Directors' report

Introduction

In accordance with Section 415 of the Companies Act 2006, the Directors of Adriatic Metals PLC present their report to shareholders for the 12-month financial year ended 31 December 2022.

The Directors' Report comprises the Directors' Report section of this report, together with the sections of the Annual Report incorporated by reference. As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in other sections of the Annual Report, as indicated below.

Directors

The names of the Directors who held office during the year and to the date of this report are:

Michael Rawlinson* (Chairman)

Peter Bilbe* (Non-Executive Director)

Paul Cronin (Managing Director and CEO)

Julian Barnes* (Non-Executive Director)

Sandra Bates* (Non-Executive Director)

Sanela Karic (Non-Executive Director)

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

The joint company secretaries are Jonathan Dickman and Gabriel Chiappini.

Results and dividends

The Group results for the year ended 31 December 2022 are set out in the Financial Review on page 37.

The Company's aim is to generate long term value for its stakeholders and design a shareholder distribution policy that reflects the growth prospects and profitability of the Company while maintaining appropriate levels of operational liquidity in due course. However, due to the early-stage nature of the Company and the Vares Project, no interim dividend was paid and no final dividend is recommended for the year ended 31 December 2022.

Share capital

The Company was granted authority at the 2021 AGM to allot shares in the capital of the Company up to a maximum nominal amount of £1,185,832, (equivalent to 88,793,111 shares) in accordance with Section 551 of the Companies Act 2006. Details of the Company's share capital are set out in note 14b to the consolidated financial statements, including details of the movements in the Company's issued share capital during the year.

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

Directors' and Officers' Insurance

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

Auditors

BDO LLP (Chartered Accountants) have been auditors of Adriatic Metals PLC since 2020 and will be proposed for re-appointment at the 2023 Annual General Meeting.

Directors' interests

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

Substantial shareholdings

The Company's issued share capital as at 31 December 2022 was 272,746,292 ordinary shares and at 22 March 2023 was 273,863,593 ordinary shares with each share carrying the right to one vote. No shares are held in treasury.

At 31 December 2022, the Company had been notified, pursuant to the Financial Conduct Authority's Disclosure Guidance and Transparency Rule (DTR 5), or was otherwise aware of the following substantial interests (3% or more) in the Company's issued share capital.

Shareholder	Number of ordinary shares	Percentage of issued share capital
Helikon Investments	46,468,120	17.04
Orion Asset Management	24,191,000	8.87
Paul Cronin	17,301,232	6.34
Milos Bosnjakovic	13,300,000	4.88
FIL investment	9,999,993	3.67
T Rowe Price (Baltimore)	8,422,201	3.09
	119,682,546	**43.89**

At 15 March 2023, being the latest practicable date before the approval of the Annual Report and Accounts, the Company had not been notified, pursuant to DTR 5 that the above positions had changed.

Changes in interests that have been notified to the Company pursuant to DTR 5 since 15 March 2023 can be found in the Regulatory News section of the Investors page of the Company's corporate website: https://www.adriaticmetals.com/investors/lse-announcements/.

Directors' report

Additional disclosures

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

Section	Matter	Location
(1)	Interest capitalised	Not applicable
(2)	Publication of unaudited financial information	Not applicable
(4)	Details of long term incentive scheme	Remuneration & Nomination Committee Report page 94
(5)	Waiver of emoluments by a Director	Remuneration & Nomination Committee Report page 94
(6)	Waiver of future emoluments by a Director	No applicable.
(7)	Non pre-emptive issues of equity for cash	Not applicable
(8)	As item (7) in relation to major subsidiary undertakings	Not applicable
(9)	Parent participation in a placing by a listed subsidiary	Not applicable
(10)(a)	Contract of significance in which a Director is interested	Not applicable
(10)(b)	Contract of significance with controlling shareholder	Not applicable
(11)	Provision of services by a controlling shareholder	Not applicable
(12)	Shareholder waivers of dividends	Not applicable
(13)	Shareholder waivers of future dividends	Not applicable
(14)	Agreement with controlling shareholder	Not applicable

Supplier payment policy

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

Branches

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

Financial risk management and financial instruments

Information regarding the financial risk management and internal control processes and policies and exposure to the risks associated with the financial instruments, can be found in note 13 to the consolidated financial statements, and in the sections on Corporate Governance and Internal Control on page 77 and Risk Management on page 42.

Political donations

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

Powers of Directors

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

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

Going concern

The Vares Definitive Feasibility Study was completed in August 2021 with a Project NPV of $1.1 billion and build cost of $168.2m. An equity raise was successfully closed on 29 October 2021 and Orion debt documents were executed to provide the Group with sufficient funds to complete the Vares Project construction and cover ongoing owner costs until production commences in Q3 FY23 and the business becomes self-sustaining from cash flows from operations.

Definitive documentation executed for the $142.5m Debt Finance Package with Orion was announced on 10 January 2022. Of this total, $30m was drawn down prior to 31 December 2022 and $52.5m was drawn down in February 2023, leaving $60m currently undrawn at the signing date of these consolidated financial statements. The Board has considered each of the conditions precedent to the remaining draw downs and is confident that the Company will be able to satisfy them when required for the Vares Project development.

As announced in the Company's Quarterly Activity Report for the quarter ended 31 December 2022, the Project cost estimate has increased to $183m including an unutilised contingency of $10m. Sensitivity analysis of uncommitted construction costs and potential project delay indicates that the Group and Company have sufficient cash resources to continue in operation for a period in excess of 12 months from the date of signing the consolidated and Parent Company financial statements.

A Debt-Service Coverage Ratio ("DSCR") covenant is included in the Orion Debt Finance Package, with the first DSCR testing period expected to be mid-2024. The DSCR is required to be above 1.25x and the Company's forecasts show substantial headroom above this.

The Directors therefore believe there is not a material uncertainty regarding going concern and that it is appropriate to prepare the financial statements on a going concern basis.

Directors' report

Post balance sheet events

Please refer to note 27 in the consolidated financial statements for a detailed report on major events that occurred after 31 December 2022.

Likely future developments

Project development is continuing with the aim of entering into concentrate production in Q3 2023.

Annual General Meeting ("AGM")

The date and location of the 2023 AGM will be announced in due course. At the AGM, shareholders will have the opportunity to put questions to the Board, including the Chairs of the Board Committees.

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

Corporate Governance Statement

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

Electronic communications

A copy of the 2022 Annual Report, other corporate publications, reports and announcements are available on the Company's website at the following link: www.adriaticmetals.com. Shareholders may elect to receive notification by email of the availability of the Annual Report on the Company's website instead of receiving paper copies.

SEDAR Reporting

The Company is subject to the regulatory requirements of the ASX and the Australian Securities and Investments Commission. It is also a reporting issuer under the securities laws of certain provinces of Canada. The Company is a "designated foreign issuer" as defined under Canadian National Instrument 71-102 - Continuous Disclosure and Other Exemptions Relating to Foreign Issuers ("NI 71-102"), and, as such, is generally permitted to meet certain Canadian disclosure requirements by complying with the disclosure requirements of the ASX and the Australian Securities and Investments Commission. The Company files documents required by NI 71-102 in Canada on its profile at www.sedar.com.

Share rights

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

Voting rights

There are no restrictions on voting rights or transfers of shares in the Articles other than those described in these paragraphs. Details of deadlines for exercising voting rights and proxy appointment will be set out in the Notice of the 2023 AGM.

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

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

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

Transfer of shares

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

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

Statement of disclosure to the auditors

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

So far as they are aware, there is no relevant audit information of which the Company's auditors are unaware.

He or she has taken all the reasonable steps that he or she ought to have taken as a Director to make him or herself aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

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

The Adriatic Metals PLC Directors' Report has been prepared in accordance with applicable UK company law and was approved by the Board on 30 March 2023.

By order of the Board

Michael Rawlinson
Chairman of the Board

Statement of directors' responsibilities

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

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

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

- prepare a director's report, a strategic report and director's remuneration report which comply with the requirements of the Companies Act 2006;
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial Statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

The Group's financial statements have been prepared in accordance with UK adopted international accounting standards and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.

The Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and the parent Company, together with a description of the principal risks and uncertainties that they face.

Financial Statements

Strong capital control & cash position

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NPV_8
US$1,062m

Cash position
$60.6m

IRR
134%

Net Assets
$107.9m

Independent auditors' report to the members of Adriatic Metals PLC

Opinion on the financial statements

In our opinion:

the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;

the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;

the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Adriatic Metals Plc (the 'Parent Company') and its subsidiaries (together the 'Group') for the year ended 31 December 2022 which comprise the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, notes to the consolidated financial statements, including a summary of significant accounting policies, the parent company statement of financial position, the parent company statement of changes in equity and notes to the parent company financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice FRS 101 "Reduced Disclosure Framework"), as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs

(UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit and risk committee.

Independence

Following the recommendation of the audit and risk committee, we were appointed by the Board of Directors on 28 May 2020 to audit the financial statements for the period ending 30 June 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 4 years, covering the period ended 30 June 2020 and the years ended 31 December 2021 to 31 December 2022. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

Verifying the opening cash position used in the cash flow forecast. The cash flow forecast started from March 2023, and covered more than 12 months from the date of these financial statements.

Performing checks on the arithmetical accuracy of the cash flow forecasts approved by the Directors'.

Assessing the committed spend on the Vares project that is contractual and other spend under the Group's license arrangements and the general and administrative costs (G&A) within the forecast and checking that this is consistent with other information obtained during the audit.

Obtaining and reviewing stress test scenarios including scenarios relating to production slippage and capital and operating expenditure.

Reviewing and recalculating forecast covenants.

Reviewing the adequacy of going concern disclosures against the requirements of the relevant accounting framework as disclosed in Note 2 of the financial statements, based on the evaluation performed above.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	97% (2021: 99%) of Group loss before tax 99% (2021: 97%) of Group total assets		
Key audit matters		2022	2021
	Carrying value and impairment of development, exploration and evaluation assets, and license compliance	Yes	Yes
	Valuation of subsidiary investment balances in the Parent Company accounts	Yes	Yes
Materiality	**Group financial statements as a whole** $2,600,000 (2021: $1,200,000) based on 1.5% (2021: 1.5%) of total assets		

Independent auditor's report to the members of Adriatic Metals PLC

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

In approaching the audit, we considered how the Group is organised and managed. We assessed there to be three significant components, Adriatic Metals Plc (the Parent Company), Eastern Mining d.o.o, which is the holder of the mining licences pertaining to the Veovaca and Rupice assets in Bosnia & Herzegovina and Ras metals d.o.o, an entity which owns two exploration licenses over the Kizevak and Sastavci silver-zinc-lead mines in the Raska district of South-western Serbia. The Parent Company and Ras metals d.o.o were subject to a full-scope audit by the Group audit team. A full-scope audit of Eastern Mining d.o.o was performed by a BDO network firm in Bosnia & Herzegovina. Additionally, the Group audit team performed specific procedures on all significant risk areas.

The financial information of the remaining non-significant components was subject to analytical review procedures, performed by the Group audit team.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

A planning meeting was held remotely with the component auditor and detailed Group reporting instructions for the testing of the significant areas were sent to them. The Group reporting instructions also included specific reference to required ISA (UK) procedures covering fraud and irregularities, and also detailed the materiality to which Group reporting procedures were to be performed. We visited the component auditor offices and held a face-to-face meeting with the audit partner discussing the results of procedures over key risk areas, any issues encountered as part of the audit, and any control or governance best practice findings arising as a result of the local fieldwork. We also reviewed the audit files remotely and discussed the findings with the component audit team and component management.

Climate change

Our work on the assessment of potential impacts on climate-related risks on the Group's operations and financial statements included:

- Making enquiries of management and their external consultants to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report.
- Performing qualitative risk assessments taking into consideration the sector in which the Group operates and how climate change affects this particular sector.
- Reviewing minutes of Board and Audit Committee meeting and other papers related to climate change and performed a risk assessment as to how this impacts the Group's financial statements and our audit.
- Reviewing climate-related disclosures in the front-half for consistency with other disclosures made in the back-half of the Annual Report.

Based on procedures performed above, we did not identify there to be any climate-related risks that impacted the financial statements.

Independent auditor's report to the members of Adriatic Metals PLC

Key audit matter		How the scope of our audit addressed the key audit matter
Carrying value and impairment of development, exploration and evaluation assets, and license compliance The Group's exploration and evaluation assets ('E&E assets') per Note 8 of the financial statements represent a significant asset on the consolidated statement of financial position. See Note 3 M(ii) and Note 4a for details of the accounting policy and critical accounting estimate and judgements relating to this key audit matter.	Management and the Board are required to assess whether there are any potential impairment triggers which would indicate that the carrying value of the assets at 31 December 2022 may not be recoverable. In late 2022, the Group carried out a strategic review of the Raska project which resulted in changes to the development plan for the project. This has been considered to be an indicator of impairment. Management has undertaken a market based valuation and determined that the recoverable amount of the assets did not exceed $8.5m and an impairment of $23.2m has been recognised. Given the materiality of the E&E assets in the context of the Group's statement of financial position, the recognised impairment loss and the significant judgement involved in making the impairment assessments, we have considered this to be a key audit matter.	**Our specific audit testing in regard to this included:** Considered publicly available information and other information obtained during our audit in order to assess whether there were any other potential indicators of impairment that have not been identified by Management. Reviewed Management's impairment assessment for reasonableness when compared to future strategic plans, noting that Management considered a slowdown of exploration activity as an impairment indicator. Held meetings with Management to understand the methodology used to value the E&E assets and engaging an auditor expert to assist us to assess the appropriateness of the valuation methodology and the judgements applied. Reviewed licence agreements, correspondence with regulatory authorities, and confirmed that the Group has complied with the requirements to renew the exploration licences and legal title is maintained. Made inquiries of the Group's independent lawyers in Serbia to confirm that the Group has complied with the legal requirements and verified the relevant documentation to renew the relevant exploration licences. Reviewed the financial statement disclosures regarding any impairment assumptions and sensitivities to check such disclosures are appropriate and in accordance with the accounting framework. **Key observations:** Based on the procedures performed, we found the judgement and estimates made by Management regarding the determination of the recoverable amount of the exploration and evaluation assets, and with regards to the compliance with license terms, to be reasonable.
Valuation of subsidiary investment in the Parent Company Accounts Note (l) to the Parent Company financial statements	During the year ended 31 December 2022, impairment indicators were noted in relation to the underlying Raska exploration assets in Serbia. This resulted in an impairment of $22.2m against the investment in RAS Metals d.o.o., writing this investment down to a carrying amount of $8.5m. The recoverability of the investments is intrinsically linked to the successful development of the underlying development and exploration assets as the main assets held in the subsidiaries' investments is that of the development and exploration license. In this scenario, the assets underpinning the investments are pre-production and therefore there are continued risks pertaining to the successful development of the Vares project which has entered construction, as well as the assessment of the commercial viability of the Group's other exploration assets. The value of the investments in subsidiary companies and the inherent judgement involved in determining impairment indicators makes this a significant audit risk and a key area of focus for our audit.	**Our specific audit testing in regard to this included:** Reviewed Management's impairment assessment of the underlying development and exploration assets. Please refer to the KAM above for further details relating to the Serbian assets held in Ras Metals d.o.o. Assessing the Vares project in Bosnia for indicators of impairment in line with the requirements of the accounting framework. Reviewed the terms and conditions of the signed shareholder agreement in place to confirm that the Parent Company still holds the shares in the subsidiaries. Reviewed the minutes of Board meetings and correspondence with regulatory authorities to identify any information that may impact the recoverability of investments in subsidiaries. **Key observations:** Based on the procedures performed we found the judgement and estimates made by management in their impairment assessment of the investments held in subsidiaries are reasonable.

Independent auditor's report to the members of Adriatic Metals PLC

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2022 $	2021 $	2022 $	2021 $
Materiality	2,600,000	1,200,000	1,040,000	480,000
Basis for determining materiality	1.5% of total assets	1.5% of total assets, adjusted for amounts received as part of the equity raise in the current year not yet utilised.	40% of Group materiality	
Rationale for the benchmark applied	The materiality has been based on total assets as the Group is in the exploration and development phase of its operations and is not revenue generating or profit making. We consider total assets to be one of the principal considerations for users of the financial statements.	The materiality has been based on total assets as the Group is in the exploration and development phase of its operations and is not revenue generating or profit making. We consider total assets to be one of the principal considerations for users of the financial statements. Total assets was adjusted to remove the one off effect of equity amounts raised during the current year.	Capped at 40% of Group materiality given the assessment of the components aggregation risk.	
Performance materiality	1,820,000	780,000	728,000	310,000
Basis for determining performance materiality	70%	65%	70%	65%
Rationale for the percentage applied for performance materiality	In reaching our conclusion on the level of performance materiality to be applied we considered a number of factors including the expected total value of known and likely misstatements (based on past experience), our knowledge of the Group's internal controls and management's attitude towards proposed adjustments. In 2022 we increased the percentage from 65% to 70% because previously we did not encounter any material non-adjusted misstatements during our prior audits.			

Independent auditor's report to the members of Adriatic Metals PLC

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, based on a percentage of between 40% and 60% (2021: 40% and 60%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from $1,040,000 to $1,560,000 (2021: $480,000 to $730,000)). In the audit of each component, we further applied performance materiality levels of 70% (2021: 65%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit & Risk Committee that we would report to it all individual audit differences in excess of $52,000 (2021: $24,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or certain disclosures of Directors' remuneration specified by law are not made; or we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Adriatic Metals PLC

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Discussing with management and the Audit & Risk committee to understand the laws and regulations relevant to the Group and its components. We considered the significant laws and regulations to be the elements of the financial reporting network, the Companies Act 2006, tax legislation, mining laws, LSE listing rules and ASX listing rules, QCA corporate governance code and environmental regulations.

Reviewing minutes of meeting of those charged with governance, RNS announcements and holding discussions with management and the audit and risk committees regarding their knowledge of any known or suspected instances of fraud;

Discussing amongst the engagement team as to how and where fraud might occur in the financial statements; and

Communicating and subsequently reviewing specific procedures performed by the component auditors to address the risk of irregularities and fraud as well as potential non-compliance with laws and regulations.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Based on our risk assessment, we considered the areas most susceptible to fraud to be the inappropriate capitalization of expenses into exploration and evaluation assets, and management override of controls.

Our procedures in respect of the above included:

Testing appropriateness of journal entries made throughout the period which met a specific risk-based criteria to supporting documentation;

Assessing the judgements made by management when making key accounting estimates and judgements, and challenging management on the appropriateness of these judgements, specifically around key audit matters as noted above; and

Performing a detailed review of the Group's year end adjusting entries and investigating any that appear unusual as to nature or amount to supporting documentation.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matt Crane (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, United Kingdom

30 March 2023

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

Consolidated statement of financial position

At 31 December 2022

(In USD)	Note	31 December 2022	Restated* 31 December 2021	Restated* 1 January 2021
Assets				
Current assets				
Cash and cash equivalents		60,585,277	112,506,468	40,418,257
Other receivables and prepayments	5	18,830,315	2,219,562	894,317
Total current assets		**79,415,592**	**114,726,030**	**41,312,574**
Non-current assets				
Property, plant and equipment	7	77,860,563	29,877,774	1,324,657
Right-of-use assets	11	8,953,835	733,246	322,943
Exploration and evaluation assets	8	8,500,000	31,901,709	48,353,880
Total non-current assets		**95,314,398**	**62,512,729**	**50,001,480**
Total assets		**174,729,990**	**177,238,759**	**91,314,054**
Liabilities and equity				
Current liabilities				
Accounts payable and accrued liabilities	10	5,341,740	4,318,794	2,596,730
Lease liabilities	11	2,379,000	141,674	48,657
Deferred Consideration	9	-	1,161,269	3,436,991
Borrowings	6	-	-	144,173
Total current liabilities		**7,720,740**	**5,621,737**	**6,226,551**
Lease liabilities	11	5,807,741	625,424	300,235
Provisions	23	4,431,212	-	-
Borrowings	6	42,498,052	16,071,066	15,836,580
Derivative liability	6	6,369,219	2,502,423	4,160,918
Total non-current liabilities		**59,106,224**	**19,198,913**	**20,297,733**
Total liabilities		**66,826,964**	**24,820,650**	**26,524,284**

(In USD)	Note	31 December 2022	Restated* 31 December 2021	Restated* 1 January 2021
Capital and reserves attributable to shareholders of the parent				
Share capital	14b	5,376,349	5,279,546	4,217,209
Share premium	14b	143,829,631	143,259,675	43,946,114
Merger reserve	14b	23,497,730	23,019,164	22,392,879
Warrants reserve	14d	2,743,303	2,743,303	3,629,619
Share-based payment reserve	14e	4,943,436	5,778,882	7,465,235
Other equity	9	-	-	(3,436,991)
Foreign currency translation reserve	14h	1,260,333	1,073,214	2,221,383
Retained earnings		(73,747,756)	(28,735,675)	(18,385,993)
		107,903,026	**152,418,109**	**62,049,455**
Non-controlling interest	9	-	-	-
Total equity		**107,903,026**	**152,418,109**	**64,789,770**
Total liabilities and equity		**174,729,990**	**177,238,759**	**91,314,054**

*See note 2b for details of the restatement of the prior year comparatives.

The accompanying notes on pages 117 - 148 are an integral part of these consolidated financial statements.

The consolidated financial statements of Adriatic Metals PLC, registered number 10599833, were approved and authorised for issue by the Board of Directors on 30 March 2023 and were signed on its behalf by:

Paul Cronin
Managing Director & Chief Executive Officer

Mike Norris
Chief Financial Officer

Consolidated statement of comprehensive income

For the year ended 31 December 2022

(In USD)	Note	Year Ended 31 December 2022	Restated *Year Ended 31 December 2021
Exploration costs	16	(1,361,548)	(3,962,900)
General and administrative expenses	17	(10,639,784)	(7,265,290)
Share-based payment expense	14	(1,295,293)	(1,978,880)
Exploration and evaluation impairment	8	(23,186,959)	-
Other income	20	9,024	85,699
Operating loss		**(36,474,560)**	**(13,121,371)**
Finance income	18	334,497	-
Finance expense	18	(7,072,693)	(2,860,469)
Revaluation of external borrowing and derivative liability	6	(4,081,401)	1,763,318
Revaluation of deferred consideration	9	151,339	27,710
Loss before taxation		**(47,142,818)**	**(14,190,812)**
Tax charge	15	-	-
Loss for the year		**(47,142,818)**	**(14,190,812)**

(In USD)		Note	Year Ended 31 December 2022	Restated *Year Ended 31 December 2021
Other comprehensive gain/(loss) that might be reclassified to profit or loss in subsequent years:				
Exchange gain/(loss) arising on translation of foreign operations			187,119	(1,148,169)
			187,119	**(1,148,169)**
Total comprehensive expense for the year			**(46,955,699)**	**(15,338,981)**
Loss for the year attributable to:				
Owners of the parent			(47,142,818)	(13,922,876)
Non-controlling interest			-	(267,936)
			(47,142,818)	**(14,190,812)**
Total comprehensive expense attributable to:				
Owners of the parent			(46,955,699)	(15,071,045)
Non-controlling interest			-	(267,936)
			(46,955,699)	**(15,338,981)**
Net loss per share	Basic and diluted (pence)	14g	(17.59)	(6.32)

See note 2b for details of the restatement of the prior year comparatives.

The accompanying notes on pages 117 - 148 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2022

(In USD)	Note	Share Capital	Share Premium	Merger Reserve	Share Based Payment Reserve	Warrants Reserve	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 Restated*		4,217,209	43,946,114	22,392,879	7,465,235	3,629,619	(3,436,991)	2,221,383	(18,385,993)	62,049,455	2,740,315	64,789,770
Comprehensive income for the prior year:												
Loss for the year		-	-	-	-	-	-	-	(13,922,876)	(13,922,876)	(267,936)	(14,190,812)
Other comprehensive income		–	–	-	–	-	-	(1,148,169)	-	(1,148,169)	-	(1,148,169)
Total comprehensive expense		**-**	**-**	**-**	**-**	**-**	**-**	**(1,148,169)**	**(13,922,876)**	**(15,071,045)**	**(267,936)**	**(15,338,981)**
Contributions by and distributions to owners:												
Issue of share capital	14b	893,946	100,072,041	-	-	-	-	-	-	100,965,987	-	100,965,987
Settlement Placement	14b	23,868	1,173,991	-	-	-	-	-	-	1,197,859	-	1,197,859
Share issue costs	14b	-	(4,486,027)	-	-	-	-	-	-	(4,486,027)	-	(4,486,027)
Exercise of options and performance rights	14e	120,143	990,975	-	(3,665,232)	-	-	-	3,665,232	1,111,118	-	1,111,118
Issue of options and performance rights	14e	-	-	-	2,861,858	-	-	-	-	2,861,858	-	2,861,858
Exercise of Warrants	14b	18,248	1,562,581	-	-	(655,786)	-	-	655,786	1,580,829	-	1,580,829
Expiry/Cancellation of options and performance rights and warrants		-	-	-	(882,979)	(230,530)	-	-	230,530	(882,979)	-	(882,979)
Acquisition of subsidiary	9,14b	6,132	-	626,285	-	-	3,436,991	-	(978,354)	3,091,054	(2,472,379)	618,675
31 December 2021 Restated*		**5,279,546**	**143,259,675**	**23,019,164**	**5,778,882**	**2,743,303**	**-**	**1,073,214**	**(28,735,675)**	**152,418,109**	**-**	**152,418,109**
Comprehensive income for the year:												
Loss for the year		-	-	-	-	-	-	-	(47,142,818)	(47,142,818)	-	(47,142,818)
Other comprehensive income		–	–	–	–	-	-	187,119	-	187,119	-	187,119
Total comprehensive expense		**-**	**-**	**-**	**-**	**-**	**-**	187,119	(47,142,818)	**(46,955,699)**	**-**	**(46,955,699)**
Contributions by and distributions to owners:												
Share issue costs		-	(86,199)	-		-	-	-	-	(86,199)	-	(86,199)
Exercise of options and performance rights	14e	91,224	656,155	-	(2,130,739)	-	-	-	2,130,737	747,377	-	747,377
Issue of options and performance rights	14e	-	-	-	873,155	-	-	-	-	873,155	-	873,155
2022 STIP awards	14e	-	-	-	576,000	-	-	-	-	576,000	-	576,000
Expiry/Cancellation of options and performance rights	14e	-	-	-	(153,862)	-	-	-	-	(153,862)	-	(153,862)
Acquisition of subsidiary	14b	5,579	-	478,566	-	-	-	-	-	484,145	-	484,145
31 December 2022		**5,376,349**	**143,829,631**	**23,497,730**	**4,943,436**	**2,743,303**	**-**	**1,260,333**	**(73,747,756)**	**107,903,026**	**-**	**107,903,026**

*See note 2b for details. The accompanying notes on pages 117 - 148 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2022

(In USD)	Note	Year Ended 31 December 2022	Restated* Year Ended 31 December 2021
Cash flows from operating activities			
Loss for the year		(47,142,818)	(14,190,812)
Adjustments for:			
Loss on disposal of fixed asset		-	(229)
Depreciation of property, plant and equipment	7	232,206	102,247
Amortisation of exploration & evaluation assets	8	-	39,562
Depreciation of right-of-use assets	11	1,059,717	78,599
Share-based payment expense	14	1,295,293	1,978,880
Finance Income	18	(334,497)	-
Finance expense	18	7,072,693	2,860,469
Movement in external borrowing and derivative liabilities	6	4,081,401	(1,763,318)
Revaluation of deferred consideration	9	(151,339)	(27,710)
Exploration and evaluation asset impairment	8	23,186,959	-
Changes in working capital items:			
Increase in receivables and prepayments		(171,789)	(1,297,385)
(Decrease)/increase in accounts payable and accrued liabilities		(360,894)	1,802,608
Net cash used in operating activities		**(11,233,068)**	**(10,417,089)**

(In USD)	Note	Year Ended 31 December 2022	Restated* Year Ended 31 December 2021
Cash flows from investing activities:			
Purchase of property, plant and equipment	7	(42,231,895)	(9,993,357)
Purchase of exploration & evaluation assets	8	-	(3,770,726)
Sale of Property, plant and equipment		-	2,485
Prepaid property, plant and equipment		(16,432,347)	-
Net cash used in investing activities		**(58,664,242)**	**(13,761,598)**
Cash flows from financing activities:			
Gross proceeds from the issue of ordinary shares	14b, 14i	747,379	104,869,535
Transaction costs arising from equity financing	14b, 14i	(86,199)	(4,486,027)
Proceeds from draw down of borrowings net of transaction costs	6	26,176,885	-
Settlement of Deferred Consideration	9	(525,785)	(1,635,268)
Interest paid on loans and borrowings	6	(1,700,000)	(1,841,667)
Interest received on cash holdings	5	277,383	-
Capital payments on leases	11	(1,890,191)	(59,465)
Interest paid on leases	11	(589,377)	(33,302)
Net cash flows from financing activities		**22,410,095**	**96,813,806**
Net (decrease) / increase in cash and cash equivalents		(47,487,215)	72,635,119
Exchange losses on cash and cash equivalents		(4,433,976)	(546,908)
Cash and cash equivalents at beginning of the year		**112,506,468**	**40,418,257**
Cash and cash equivalents at end of the year		**60,585,277**	**112,506,468**

The accompanying notes on pages 117 - 148 are an integral part of these consolidated financial statements.

*See note 2b for details.

Notes to the consolidated financial statements

1. Corporate information

The consolidated financial statements present the financial information of Adriatic Metals PLC and its subsidiaries detailed in note 3 (collectively, the "Group") for the year ended 31 December 2022. Adriatic Metals PLC (the Company or the parent) is a public company limited by shares and incorporated in England and Wales. 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 Vares Project in Bosnia and Herzegovina and the Raska Project in Serbia.

Bosnia and Herzegovina and Serbia are well-positioned in central Europe and boast strong mining history, pro-mining environment, highly skilled workforce as well as extensive existing infrastructure and logistics.

2. Basis of preparation

A. Statement of compliance

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 (the "Companies Act").

The consolidated financial statements were authorised for issue by the Board of Directors on 30 March 2023.

B. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

The current financial year encompasses the 12 months ended 31 December 2022 while the comparative financial year represents the 12 months ended 31 December 2021.

The consolidated financial statements are presented in United States Dollars ("USD" $) compared with the prior financial statements which were presented in Great British Pounds ("GBP", £). This change in presentation currency reflects the fact that the USD is a more widely recognised currency for the mining sector in which the Group operates and that its Project Finance Debt Package, offtake agreements and mining services contract are denominated in USD. The Company considers that this change will give investors and other key stakeholders a clearer understanding of the Group's performance over time.

Following this change in accounting policy the impact was applied retrospectively and comparative amounts have been restated in United States Dollars, as required by IAS 8. The procedures used for this restatement are based on the requirements of IAS 21 as follows:

- Share capital, share premium and other reserves are translated at historic rates prevailing at the dates of transactions;
- Other assets and liabilities are translated into USD at closing rates of exchange;
- Trading results are translated into USD at the average rate for the financial period;
- Foreign exchange differences resulting between the closing balances and the results for the period have been presented in the foreign exchange reserve, a component within shareholders' equity; and
- The foreign exchange reserve was set to zero as of 30 June 2019, the earliest practical date from which to present the consolidated financial statements in USD. Cumulative currency translation adjustments are presented as if the Group had used USD as the presentation currency of its consolidated financial statements since that date.

In addition, compared with the prior year, the functional currencies of certain Group companies have changed, including the Company, which has changed from GBP to USD, and Eastern Mining d.o.o., owner of the Vares Project, which has changed from Bosnian Marks ("BAM") to USD. See note 4Ba for further details.

Unless otherwise stated, all amounts indicated by "$" represent USD.

C. Going concern

The Vares Feasibility Study was completed in August 2021 with a Project NPV of $1.1 billion and build cost of $168.2m. An equity raise was successfully closed on 29 October 2021 and Orion Debt Finance Package documents were executed to provide the Group with sufficient funds to complete the Vares Project construction and cover ongoing owner costs until production commences in Q3 FY23 and the business becomes self-sustaining from cash flows from operations.

Definitive documentation executed for the $142.5m Debt Finance Package with Orion was announced on 10 January 2022. Of this total, $30m was drawn down prior to 31 December 2022 and $52.5m was drawn down in February 2023, leaving $60m currently undrawn at the signing date of these consolidated financial statements. The Company has considered each of the conditions precedent to the remaining draw downs and is confident that it will be able to satisfy them when required for the Vares Project development.

As announced in the Company's Quarterly Activity Report for the quarter ended 31 December 2022, the Project cost estimate has increased to $183m including an unutilised contingency of $10m. Sensitivity analysis of uncommitted construction costs and potential project delay indicates that the Group and Company have sufficient cash resources to continue in operation for a period in excess of 12 months from the date of signing the consolidated and Parent Company financial statements.

A Debt-Service Coverage Ratio ("DSCR") covenant is included in the Orion Debt Finance Package, with the first DSCR testing period expected to be mid-2024. The DSCR is required to be above 1.25x and the Company's forecasts show substantial headroom above this.

The Directors therefore believe there is not a material uncertainty regarding going concern and that it is appropriate to prepare the financial statements on a going concern basis.

Notes to the consolidated financial statements

3. Significant accounting policies

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies. Below are the significant accounting policies applied by management. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

A. Basis of consolidation

Where the Company has control over an investee entity, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the Company to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and by other parties;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

The consolidated financial statements comprise the financial statements of the Company and its following subsidiaries at 31 December 2022:

Name of subsidiary	Country of incorporation	Shareholding at 31 Dec. 2022	Shareholding at 31 Dec. 2021	Nature of business
Eastern Mining d.o.o.	Bosnia and Herzegovina	100%	100%	Mineral exploration & development
Adriatik Metali d.o.o	Bosnia and Herzegovina	100%	100%	Mineral exploration & development (incorporated during year ended 31 December 2021)
Adriatic Metals Jersey Ltd (formerly Tethyan Resource Corp)	Jersey (formerly Canada)	100%	100%	Holding company - financing mining exploration of subsidiary
Adriatic Metals Services (UK) Limited (formerly Tethyan Resources Limited)	England and Wales	100%	100%	Holding company and management services company - financing mining exploration of subsidiary and providing services to other group companies.
Adriatic Metals Trading and Finance Ltd	Jersey	100%	n/a	Trading and finance company (incorporated during year ended 31 December 2022)
Adriatic Metals Trading & Finance B.V.	The Netherlands	100%	100%	Trading and finance company (incorporated during year ended 31 December 2021)
Adriatic Metals Holdings BIH Limited	England and Wales	100%	100%	Holding company - financing mining exploration of subsidiary (incorporated during year ended 31 December 2021)
Tethyan Resources Jersey Ltd	Jersey	100%	100%	Holding company - financing mining exploration of subsidiary
Taor d.o.o.	Serbia	100%	100%	Mineral exploration and development
Tethyan Resources d.o.o.	Serbia	100%	100%	Mineral exploration and development
Global Mineral Resources d.o.o.	Serbia	100%	100%	Mineral exploration and development
Tethyan Resources Bulgaria EOOD (liquidated during year ended 31 December 2022)	Bulgaria	n/a	100%	Mineral exploration and development
Ras Metals d.o.o.	Serbia	100%	100%	Mineral exploration and development

Notes to the consolidated financial statements

B. Standards, amendments and interpretations adopted

During the year, there was no material impact on the consolidated financial statements resulting from the adoption of new standards and amendments.

C. Standards, amendments and interpretations effective in future years

At the date of authorisation of these consolidated financial statements, the following amendments to existing standards had been published and had not been adopted early by the Group:

The following amendments are effective for the year beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8);
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12); and
- IFRS 17 Insurance Contracts (Amendments to IFRS 17)

The following amendments are effective for the year beginning 1 January 2024:

- IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback)
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current)
- IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)

The Group anticipates that the above amendments will be adopted in its accounting policies for the first period beginning after their effective date and does not expect them to have a material impact on the consolidated financial statements.

D. Foreign currency transactions and translations

The Group determines the functional currency of each entity as set out in note 4Ba and items included in the consolidated financial statements are measured using that functional currency.

i) Transactions and balances

Transactions in foreign currencies are initially recorded using the spot exchange rates between the functional currency and the foreign currency, at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the spot rates at the reporting date.

Foreign exchange differences arising on settlement or translation of monetary items are recognised in profit or loss.

ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into USD at the rate of exchange prevailing at the reporting date and their income statements are translated at average exchange rates prevailing during the year. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

E. Cash and cash equivalents

Cash and cash equivalents are comprised of cash held on deposit and other short term, highly liquid investments with original maturities of three months or less. These deposits and investments are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

F. Receivables

All receivables are held at amortised cost less any provision for impairment. A loss allowance for expected credit losses is made to reflect changes in credit risk since the initial recognition.

G. Exploration and evaluation assets

Pre-licence costs

Pre-licence costs relate to costs incurred before the Group has obtained legal rights to explore in a specific area. Such costs may include the acquisition of exploration data and the associated costs of analysing that data. These costs are expensed in the year in which they are incurred.

Notes to the consolidated financial statements

Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

- licence costs paid in connection with a right to explore;
- researching and analysing historical exploration data;
- gathering exploration data through geophysical studies;
- exploratory drilling and sampling;
- determining and examining the volume and grade of the resource;
- surveying transportation and infrastructure requirements; and
- conducting market studies.

Exploration and evaluation costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalised, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Exploration and evaluation expenditure in the year for activity on licences where a JORC-compliant resource has not yet been established is expensed as incurred until sufficient evaluation has occurred to establish a JORC-compliant resource. Costs expensed during this phase are included in exploration expenses and other operating expenses in the statement of profit or loss and other comprehensive income.

Upon the establishment of a JORC-compliant resource (at which point, the Group considers it probable that economic benefits will be realised), the Group capitalises any further evaluation expenditure incurred for the licence as exploration and evaluation assets up to the point when a JORC-compliant reserve is established. Capitalised exploration and evaluation expenditure is considered to be an intangible asset and measured at cost less accumulated impairment.

Exploration and evaluation assets acquired in a business combination are initially recognised at fair value, including resources and exploration potential that is considered to represent value beyond proven and probable reserves. Similarly, the costs associated with acquiring an exploration and evaluation asset (that does not represent a business) are also capitalised and subsequently measured at cost less accumulated impairment.

Once a JORC-compliant reserve is established and development is sanctioned, exploration and evaluation assets are tested for impairment and transferred to mine under construction and amortised in line with the useful economic life of the mine or on a unit of depletion basis. Exploration and evaluation assets are not amortised during the exploration and evaluation phase and are considered to have an indefinite life until determined to be part of a mine plan.

H. Property, plant and equipment

i) Land

Land is held at cost less accumulated impairment losses. Once a JORC-compliant reserve is established and development is sanctioned, land is tested for impairment and transferred to mine under construction and depreciated in line with the useful economic life of the mine or on a unit of depletion basis. Land is not depreciated during the exploration and evaluation phase and is considered to have an indefinite life until determined to be part of a mine plan.

ii) Short lived property, plant and equipment

Short lived property, plant and equipment consists of buildings, plant and machinery, office furniture and equipment, transportation assets and computer equipment. Short lived property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of short lived property, plant and equipment consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Short-lived property, plant and equipment depreciation is provided at rates calculated to expense the cost, less estimated residual value, using the straight-line method over the estimated useful life of the asset at the following rates:

Buildings & Leasehold improvements	Shorter of 10% or lease term
Plant and equipment	15% - 33%

iii) Mine under construction

Mine under construction includes construction costs as well as exploration and evaluation and land balances transferred as noted above once a JORC-compliant reserve is established and development is sanctioned. Expenditure which is necessarily incurred whilst commissioning the mine is also capitalised as a mine under construction cost. Development costs incurred after the commencement of production are capitalised to the extent they are expected to give rise to a future economic benefit.

Mine under construction costs are amortised in line with the useful economic life of the mine or rate of depletion of resources once the mine enters into production. The method of amortisation is determined taking into account all relevant factors at the point at which the mine enters into production.

Expenditure which is necessarily incurred whilst commissioning the mine under construction, in the period prior to being capable of operating in the manner intended by management, are capitalised. Development costs incurred after the commencement of production are capitalised to the extent they are expected to give rise to a future economic benefit.

iv) Depreciation and amortisation

The assets' residual values, useful lives and methods of depreciation and amortisation are reviewed at each financial year-end and adjusted prospectively if appropriate.

Notes to the consolidated financial statements

I. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease, based on whether it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

i) Transition method and practical expedients applied

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application of 1 July 2019, without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains, a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 July 2019. IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 at the date of initial application; and
- apply the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short term leases with a lease term of 12 months or less.

ii) Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short term leases and leases of low-value assets which, are either expensed as incurred though the income statement or capitalised. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

iii) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date from which the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortised on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

iv) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

v) Revision of lease term

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying amount of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying amount of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

Notes to the consolidated financial statements

J. Rehabilitation provision

The Group recognises provisions for contractual, constructive or legal obligations, including those associated with the reclamation of mineral interests and property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for the rehabilitation is recognised at its present value in the period in which it is incurred. Upon initial recognition of the liability, an amount equal to the corresponding provision is added to the carrying amount of the related asset and the cost is amortised as an expense over the economic life of the asset. Following the initial recognition of the rehabilitation provision, the carrying amount of the liability is increased for the passage of time as the discount is unwound, and adjusted for changes to the current market-based discount rate and amount or timing of the underlying cash flows needed to settle the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

K. Finance income and finance expense

Finance income and Finance expense are recorded on an accrual basis using the effective interest method.

L. Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Except for trade and other receivables which do not contain a significant financing component, financial assets and financial liabilities are measured initially at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument. Trade receivables which do not contain a significant financing component are recognised at their transaction price. Financial assets and financial liabilities are subsequently measured as described below.

i) Financial assets

A financial asset is subsequently recognised at amortised cost under IFRS 9 if it meets both the hold to collect and contractual cash flow characteristics tests. A financial asset is measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If neither of the above classifications are met the asset is classified as fair value through the profit and loss, with changes in fair value recognised in the profit and loss statement. Even if an asset meets the above two requirements to be measured at fair value through other comprehensive income, IFRS 9 contains an option to designate, at initial recognition, a financial asset as measured at fair value through the profit and loss provided the classification eliminates or significantly reduces a measurement or recognition inconsistency.

Cash and cash equivalents and trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment, if any.

ii) Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method, except for financial liabilities designated at fair value through profit or loss, that are carried subsequently at fair value with gains and losses recognised in the profit and loss statement.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Where the movement in fair value is due to a change in the entity's credit risk, such gain or loss is recognised in other comprehensive income.

iii) Convertible debt

The proceeds received on issue of the Group's convertible debt are allocated to their debt and derivative liability components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the debt. The remainder of the proceeds is allocated to the conversion option and is recognised as a derivative liability.

M. Impairment of assets

i) Financial assets

A financial asset that is not carried at fair value through profit or loss is assessed at each reporting date to determine a loss allowance for expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition, the loss allowance is equal to the lifetime expected credit losses. If the credit risk has not increased significantly, the loss allowance is equal to the twelve month expected credit losses.

The expected credit losses are measured in a way that reflects the unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available about past events, current conditions and forecasts of future economic conditions.

ii) Non-financial assets

The carrying amounts of capitalised exploration and evaluation expenditure for undeveloped mining projects (projects for which the decision to mine has been not yet been deemed commercially viable and development has not yet been authorised) are reviewed at each reporting date for indicators of impairment in accordance with IFRS 6, and when indicators are identified are tested in accordance with IAS 36 Impairment of Assets.

Property, plant and equipment and intangible assets with finite lives are reviewed for impairment if there is an indication that the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that the assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate largely independent cash inflows, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of

Notes to the consolidated financial statements

assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss statement. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. Where an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognised in the profit and loss statement.

N. Income taxes

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years.

Deferred income taxes are calculated based on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not recognised on the initial recognition of goodwill, on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction, or on temporary differences relating to investments in subsidiaries and jointly controlled entities where the reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred income tax assets and liabilities are measured, without discounting, at the tax rates that are expected to apply when the assets are recovered, and the liabilities settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

The Group has not recognised any deferred tax assets or liabilities.

O. Earnings or loss per share

Basic loss per share is calculated by dividing the loss attributable to the common shareholders of the Group by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is calculated by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options and warrants granted.

P. Share capital, share premium and merger reserve

Ordinary shares are classified as share capital. Share premium represents the excess of proceeds received over the nominal value of new shares issued.

Incremental costs directly attributable to the issuance of new shares are shown in share premium as a deduction, net of tax, from the proceeds.

Merger reserve represents the difference between the value of shares issued by the Company in exchange for the value of shares acquired in respect of the acquisition of subsidiaries. Merger reserve only arises where the issuing company takes its interest in another body corporate from below a 90% equity holding to a 90% or above equity holding.

Q. Share-based payments and warrants payments

i) Share-based payment transactions

The Company grants share options and performance rights to Directors, officers, consultants and employees (“equity-settled transactions”). The Company may grant warrants to institutions in relation to an equity raise or other transaction. The Board of Directors determines the specific grant terms within the limits set by the Company’s share option plans.

ii) Equity-settled transactions

The costs of equity-settled transactions are measured by reference to the fair value at the grant date and are recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant persons become fully entitled to the award (the “vesting date”). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised at the beginning and end of that period and the corresponding amount is represented in share option reserve. No expense is recognised for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Notes to the consolidated financial statements

Where equity-settled transactions are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss statement over the vesting period. Non-market performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of the options that will eventually vest. Market performance vesting conditions are incorporated into the fair value of the equity instrument at the grant date.

Where equity-settled transactions are entered into with non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the equity instruments issued. Otherwise equity-settled transactions with non-employees are measured at the fair value of the goods or services received.

Upon exercise of share options or warrants, the proceeds received are allocated to share capital, and share premium if applicable, and any associated balance in share-based payments reserve is transferred to retained earnings. The dilutive effect of outstanding options is reflected as additional dilution in the computation of diluted earnings per share.

The Group utilises the Black-Scholes option pricing model to estimate the fair value of share options and performance rights granted to Directors, officers and employees. The use of this model requires management to make various estimates and assumptions that impact the value assigned to the share options and performance rights including the forecast future volatility of the share price, the risk-free interest rate, dividend yield, the expected life of the share options and performance rights and the expected number of options and performance rights which will vest. See note 14f for further details regarding these inputs.

iii) STIP equity scheme

The Group operates an STIP scheme which runs on a calendar year basis, with employees receiving either cash or shares subsequent to year end based on to their performance during the year. An option pricing model is used to measure the Group's liability at each reporting date, taking into account the terms and conditions on which the bonus is awarded and the extent to which employees have rendered their service. Movements in the liability (other than cash payments) are recognised in the consolidated statement of comprehensive income.

R. Non-controlling interest

The Group has the choice, on a transaction-by-transaction basis, to initially recognise any non-controlling interest in the acquiree which is a present ownership interest and entitles its holders to a proportionate share of the entity's net assets in the event of liquidation either at acquisition date fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. Other components of non-controlling interest such as outstanding share options are generally measured at fair value.

The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

On the creation of a non-controlling interest, the Group recognises an other equity account for the deferred consideration payable under any option agreements.

S. Other reserve accounts

Foreign currency translation reserve include gains or losses arising on retranslating the net assets of entities from their functional currencies into the Group presentation currency.

Retained earnings include all other net gains and losses and transactions with owners, including dividends, not recognised elsewhere.

T. Segmental reporting

The reportable segments represent all of the Group's activities. The reportable segments are an aggregation of the operating segments within the Group as prescribed by IFRS 8. The reportable segments are based on the Group's management structures and the consequent reporting to the chief operating decision maker, the Board of Directors. These reportable segments also correspond to geographical locations such that each reportable segment is in a separate geographic location. Income and expenses included in profit or loss for the period are allocated directly or indirectly to the reportable segments.

The Group's operating segments are as follows:

- Bosnia and Herzegovina (principally the Vares Project);
- Serbia (principally the Raska Project); and
- Corporate (which supports the activities of the other two segments, principally the UK).

The Vares and Raska Projects operate in two separate distinct jurisdictions and are at different points in their respective project life cycles.

Segment assets are those used directly for segment operations. Inter-company balances comprise transactions between operating segments making up the reportable segments. These balances are eliminated to arrive at the figures in the Consolidated Financial Statements.

U. Adriatic Foundation

The Adriatic Foundation (the "Foundation") is a not-for-profit trust which was created in Bosnia and Herzegovina with the objective of supporting the communities around the Vares Project. The Company 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.

An assessment has been performed to determine whether the Company controls the Adriatic Foundation in accordance with IFRS 10. The conclusion of this assessment is that whilst the company is able to yield significant administrative influence over the Foundation, it is not able to affect returns to the Company. The Foundation statute prevents the Company as the founder, and any other person associated with the Foundation, from directly or indirectly deriving profit, or any other material or financial benefit, from the activities of the Foundation. For the purposes of IFRS 10, the Directors have therefore concluded that the Company does not control the Foundation and as a result the Foundation is not included in the consolidated financial statements of the Group.

Notes to the consolidated financial statements

4. Critical accounting estimates and judgements

The preparation of the consolidated financial statements in accordance with IFRS requires management to make certain judgements, estimates, and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from these estimates. The significant judgements, estimates, and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are highlighted below.

A. Estimates

a. Exploration and evaluation asset impairment testing

The Group reviews and tests the carrying amount of assets when its judges that an indicator of impairment has occurred, including events or changes in circumstances that suggest that the carrying amount may not be recoverable.

When such indicators exist, management determines 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 include discount rates, including the Group's weighted average cost of capital, future prices, future exploration and evaluation costs, production levels and foreign currency exchange rates.

Exploration and evaluation assets at 31 December 2021 comprised the Raska Project of $31,901,708, at a value based on consideration paid for the combined Tethyan group.

In late 2022 the Company carried out a strategic review of the Raska Project which resulted in an impairment of $23,186,959, reducing the project's carrying amount to $8,500,000 at 31 December 2022. See note 8 for details of the estimates made in establishing the revised carrying value.

b. Mine under construction impairment testing

The mine under construction asset refers to the Vares Project in Bosnia and Herzegovina.

Property, plant and equipment and intangible assets with finite lives are reviewed for impairment if there is an indication that the carrying amount may not be recoverable. No changes in circumstances or other indicators of impairment occurred during the year in respect of the Vares Project mine under construction and therefore no impairment review or estimates of value in use and fair value were required.

c. Deferred consideration

The Group accounts for deferred consideration within financial liabilities at fair value through profit and loss. See note 9 for further details of the deferred consideration in respect of the acquisition of Tethyan Resource Corp.

d. Convertible debt

The Group issued $20m 8.5% convertible debt through a deed of covenant dated 30 November 2020. The debt is 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. The valuation of the debt holder's call option embedded within this agreement is carried out by a third party expert using management's estimates and assumptions. See note 6 for further details.

B. 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 in which each entity operates.

The Group first considers the currency that mainly influences sales prices for its concentrates, goods and services, and the currency that mainly influences labour, materials 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 in which they are primarily transacted.

The Group undertook a review on an entity-by-entity basis to determine the impact of the anticipated debt financing as well as commencement of the construction phase of the Vares Project. The results of this review determined that the functional currency of each of Adriatic Metals plc, Eastern Mining d.o.o. and Adriatic Metals Jersey Ltd should be changed to USD based on the primary economic environment in which they operate. The Group exercised judgement in determining the date of change to be 1 January 2022 to coincide with the start of the year, as well as the imminent signing of the Orion Debt Finance Package and the mining services contract, which are both based in USD.

Notes to the consolidated financial statements

Name of Equity	Country of Incorporation	Functional currency at 31 December 2022	Functional currency at 31 December 2021
Adriatic Metals plc	England and Wales	USD	GBP
Eastern Mining d.o.o.	Bosnia and Herzegovina	USD	BAM
Adriatik Metali d.o.o	Bosnia and Herzegovina	BAM	BAM
Adriatic Metals Jersey Ltd	Jersey (originally Canada)	USD	CAD
Adriatic Metals Services (UK) Limited	England and Wales	USD	USD
Adriatic Metals Trading and Finance Ltd (incorporated during the year to 31 December 2022)	Jersey	USD	N/A
Adriatic Metals Trading & Finance BV	Netherlands	USD	USD
Adriatic Metals Holdings BIH Limited	England and Wales	USD	USD
Tethyan Resources Jersey Ltd	Jersey	GBP	GBP
RAS Metals d.o.o.	Serbia	RSD	RSD
Taor d.o.o.	Serbia	RSD	RSD
Tethyan Resources d.o.o.	Serbia	RSD	RSD
Global Mineral Resources d.o.o.	Serbia	RSD	RSD
Tethyan Resources Bulgaria EOOD (liquidated during year to 31 December 2022)	Bulgaria	N/A	€
Kosovo Resource Company (liquidated during year to 31 December 2021)	Kosovo	N/A	€

b) Capitalisation of exploration costs

The Group uses its judgement to determine whether costs meet the capitalisation requirements in accordance with IFRS 6 and its accounting policy on exploration and evaluation assets, including whether the activities performed are directly attributable to increasing the value of the project.

Upon the establishment of a JORC-compliant resource (at which point, the Group considers it probable that economic benefits will be realised), the Group capitalises any further evaluation expenditure incurred for the licence as exploration and evaluation assets. There is an element of judgement involved by management as to which costs are directly attributable to increasing the value of the project. Broadly, activities in relation to scoping, exploration and development are deemed directly attributable, whilst activities in relation to supporting and administrative duties are deemed not to be directly attributable.

c) Indicators of impairment

The Group uses its judgement in assessing whether indicators of impairment have occurred.

The Group reviews and tests the carrying amount of exploration and evaluation assets when events or changes in circumstances suggest that the carrying amount may not be recoverable in accordance with IFRS 6. Indicators of impairment are as follows:

i. the period for which the entity has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed;

ii. substantive expenditure on further exploration for, and evaluation of, mineral resources in the specific area is neither budgeted nor planned;

iii. 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; and

iv. 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.

The Group also reviews property, plant and equipment and intangible assets with finite lives for impairment if there is an indication that the carrying amount may not be recoverable.

In assessing whether an indicator of impairment has occurred, the Group considers external sources of information including observable indications of decline in market value, actual or expected negative changes in the technological, market, economic or legal environment, changes in market interest rates or other market rates of return on investments, and whether the carrying amount of its net assets is greater than its market capitalisation. As external sources of information will typically be broader and less clearly linked to a specific asset or cash generating unit, for example, a decline in market capitalisation below the carrying value of the entity's net assets. This may then require the use of judgement to determine which assets or cash generating unit should be tested in response to an external source of information.

The Group also considers internal sources of information including changes in planned development of the assets, evidence of obsolescence or damage, changes in the expected use or life of an asset, and evidence from internal reporting that an asset's economic performance is, or will be, worse than expected.

Notes to the consolidated financial statements

In late 2022 the Company carried out a strategic review of the Raska Project involving changes in the project's development plan that the Group judged to be an indicator of impairment. See note 8 for details of the resulting impairment of $23,186,959, reducing the project's carrying amount to $8,500,000 at 31 December 2022.

No changes in circumstances or other indicators of impairment occurred during the year in respect of the Vares Project mine under construction.

d) Rehabilitation Provision

The Group recognises provisions for contractual, constructive or legal obligations, including those associated with the reclamation of mineral interests and property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for the rehabilitation is recognised at its present value in the period in which it is incurred. Upon initial recognition of the liability, an amount equal to the liability is added to the carrying amount of the related asset and this amount is amortised as an expense over the economic life of the asset. Following the initial recognition of the rehabilitation provision, the carrying amount of the liability is increased for the passage of time by unwinding the discount, and adjusted for changes to the current market-based discount rate and to the amount or timing of the underlying cash flows needed to settle the obligation.

Management uses its judgement and experience to determine the potential scope of closure rehabilitation work required to meet the Group's legal, statutory and constructive obligations, and any other commitments made to stakeholders, and the options and techniques available to meet those obligations and estimate the associated costs and the likely timing of those costs.

Significant judgement is also required to determine both the costs associated with that work and the other assumptions used to calculate the provision. External experts support the cost estimation process where appropriate but there remains significant estimation uncertainty. The key judgement in applying this accounting policy is determining when an estimate is sufficiently reliable to make or adjust a closure provision.

Management engaged with experts Ausenco and Wardell Armstrong as part of the feasibility study to determine total costs of closure, restoration and environmental costs over the life of the mine. Management applied judgement to determine the impact of activity on the Vares Project in the year ended 31 December 2022, which is a key factor in calculating the provision, and the Group recorded a provision based on the discounted value of the expected cashflows. See note 23 for further details.

e) Entities not consolidated

The Adriatic Foundation has not been consolidated, for reasons set out in note 3u.

Deep Research d.o.o. (DR) is determined to be outside of the control of the Group because although Adriatic Metals Jersey Ltd (the option agreement holder) has the ability to control DR via exercise of the option it does not have the intent to do so at present until further exploration work has been completed to determine the economic value of DR to the Group relative to the consideration that would be payable on exercise of the option.

5. Receivables and prepayments

(In USD)	31 December 2022	31 December 2021
Accrued interest income	57,114	-
Vares Project prepayments and deposits	17,119,197	612,155
Debt issuance costs prepayment	-	561,079
Taxes receivable	1,618,066	1,040,532
Other receivables	35,938	5,796
Total	**18,830,315**	**2,219,562**

Accrued interest income relates to interest earned on cash holdings. Of the total interest income recognised during the year to 31 December 2022 of $334,497, $277,383 was received in cash during the year and the remaining $57,114 is recognised as accrued interest income.

Vares Project prepayments and deposits represent advance payments in respect of equipment purchases, as well as mobilisation costs paid in respect of the mining services contractor equipment that had not reached site prior to 31 December 2022.

The debt issuance costs prepayment in the Prior year reflected legal and other transaction fees incurred by the Group while the Senior Secured Debt facility remained subject to conditions precedent, and forms part of the $2,056,040 fees recognised at 31 December 2022 as a deduction from the value of borrowings in accordance with IFRS 9, as set out in note 6.

The segmental analysis of receivables and prepayments is as follows:

31 December 2022	Bosnia	Serbia	Corporate	Total
Accrued interest income	-	-	57,114	57,114
Prepayments and deposits	16,802,323	114,756	202,118	17,119,197
Taxes receivable	1,468,539	75,343	74,184	1,618,066
Other receivables	608	3,105	32,225	35,938
Total	**18,271,470**	**193,204**	**365,641**	**18,830,315**

31 December 2021	Bosnia	Serbia	Corporate	Total
Prepayments and deposits	421,563	37,882	152,710	612,155
Debt issuance costs prepayment	-	-	561,079	561,079
Taxes receivable	728,760	126,619	185,153	1,040,532
Other receivables	1,168	2,322	2,306	5,796
Total	**1,151,491**	**166,823**	**901,248**	**2,219,562**

Notes to the consolidated financial statements

6. Borrowings and Derivative Liability

A. Total borrowings and derivative liability

(In USD)	Orion Senior Secured Debt	QRC Convertible Debt	Total Borrowings	Derivative Liability on QRC Convertible Debt
At 30 June 2020	**-**	**-**	**-**	**-**
Additions	-	(15,839,082)	(15,839,082)	(4,160,918)
Interest expense	-	(141,671)	(141,671)	-
At 31 December 2020	**-**	**(15,980,753)**	**(15,980,753)**	**(4,160,918)**
Interest expense	-	(1,699,740)	(1,699,740)	-
Foreign Exchange gain	-	(232,240)	(232,240)	(104,823)
Payment of Interest	-	1,841,667	1,841,667	-
Revaluation of fair value embedded option	-	-	-	1,763,318
At 31 December 2021	**-**	**(16,071,066)**	**(16,071,066)**	**(2,502,423)**
Additions	(26,176,885)	-	(26,176,885)	-
Interest expense	(35,484)	(1,700,012)	(1,735,496)	-
Foreign Exchange gain	-	-	-	214,605
Payment of Interest	-	1,700,000	1,700,000	-
Revaluation on modification		(214,605)	(214,605)	-
Revaluation of fair value embedded option	-	-	-	(4,081,401)
At 31 December 2022	**(26,212,369)**	**(16,285,683)**	**(42,498,052)**	**(6,369,219)**

Year end balances are analysed below:

(In USD)	Orion Senior Secured Debt	QRC Convertible Debt	Total Borrowings	Derivative Liability on QRC Convertible Debt
At 31 December 2021	**-**	**-**	**-**	**-**
Current liability	-	-	-	-
Non-current liability	-	(16,071,066)	(16,071,066)	(2,502,423)
	-	**(16,071,066)**	**(16,071,066)**	**(2,502,423)**

(In USD)	Orion Senior Secured Debt	QRC Convertible Debt	Total Borrowings	Derivative Liability on QRC Convertible Debt
At 31 December 2022	**-**	**-**	**-**	**-**
Current liability	-	-	-	-
Non-current liability	(26,212,369)	(16,285,683)	(42,498,052)	(6,369,219)
	(26,212,369)	**(16,285,683)**	**(42,498,052)**	**(6,369,219)**

B. Orion Senior Secured Debt

On 10 January 2022, the Group announced the completion of a $142.5m debt financing package ("Orion Debt Finance Package"), with Orion Resource Partners (UK) LLP ("Orion") comprising:

$120m Senior Secured Debt; and

$22.5m Copper Stream

The Senior Secured Debt maturity date is 30 June 2027. Interest accrues daily at an annual rate equal to a margin of 7.5% plus the greater of (i) a floor of 0.26161% plus the CME Term SOFR for a period equal to three months and (ii) the floor of 0.26161%.

Secured Overnight Financing Rate ("SOFR") is a secured interbank overnight interest rate used as a reference rate by parties in commercial contracts, as an alternative to LIBOR which was discontinued in 2021. The CME SOFR is administered by the CME Group. At 31 December 2022 the applicable CME Term SOFR was 4.560740%, meaning that the total interest rate applicable was 12.32235% for the few days of interest following the first draw down funds being drawn.

Notes to the consolidated financial statements

The First Repayment Date is the earlier of the Project Completion Longstop Date being 30 June 2024 and the last business day of the quarter following the quarter in which the Project Completion Date falls.

The repayment schedule provides for the repayment of the loan in 10 equal quarterly installments in each of the 10 successive quarters, with the first such quarterly repayment occurring on the First Repayment Date and the repayment in each successive quarter occurring on the last Business Day of the relevant quarter.

Interest accrues daily and is payable on each interest repayment date, on the final maturity date, and on any earlier date on which a loan is prepaid in full or in part.

The Orion Debt Finance Package contains covenants and restrictive covenants typical for a project financing, including in relation to financial reporting. It also contains security customary for a project financing, principally security over the assets of Eastern Mining and material project-related contracts held by the Adriatic Group.

A Debt-Service Coverage Ratio ("DSCR") covenant is included in the Orion Debt Finance Package, with the first DSCR testing period expected to be mid-2024, and six monthly thereafter. The DSCR is required to be above 1.25x and the Company's forecasts show substantial headroom above this.

The Orion Senior Secured Debt first tranche of $30,000,000 was drawn net of associated $1,767,075 legal and other fees incurred by Orion as lender, with a net amount of $28,232,925 received. At 31 December 2022, these Orion fees and a further amount of transaction fees totalling $2,056,040 incurred by the Group have been recognised as a deduction from the value of borrowings in accordance with IFRS 9, on the basis that they represent transaction costs directly attributable to the acquisition of the borrowings. As a result of the total IFRS 9 deduction of $3,823,115, which will be amortised over the life of the facility using the effective interest rate method, the Orion Senior Secured Debt balance is reduced from $30,000,000 drawn down to $26,176,885. This impact will be reversed over the life of the facility as the deduction is unwound through amortisation of the deduction.

The Group is entitled to deduct the amount of any payment it makes to the Adriatic Foundation on behalf of the Lenders from any interest accrued in the last quarter of each year.

C. QRC convertible debt

The Group issued $20m 8.5% convertible debt through a deed of covenant dated 30 November 2020. The debt is convertible into fully paid equity securities in the share capital of the issuer, subject to the conditions of the debt issue.

Modification

In December 2022, concurrently with the first draw down of the Orion Senior Secured Debt, Adriatic and QRC executed an amendment to the 30 November 2020 deed of covenant, advising that the cash coupon has been increased from 8.5% to 9.5% per annum effective from 10 January 2023. The amendment also confirmed that Adriatic was not required to redeem the debt following completion of the Orion project financing. This is a change from the original conditions of the debt issue which stated that where the Company secures a project financing before the final maturity date of the debt, the bondholder can require the issuer to redeem the debt at its principal amount together with the accrued but unpaid interest to such date. All other terms of the original deed remain unchanged.

Management considered the quantitative and qualitative nature of the amendment and concluded the changes constituted a non-substantial modification under IFRS 9 accounting standards.

The carrying amount of the liability was adjusted to the present value of the modified cashflows and a loss was recognised in the profit or loss in the year ended 31 December 2022. Subsequent interest expense will be calculated based on the updated internal rate of return.

Key terms and conditions of the debt agreement dated 30 November 2020 between the Company and Queens Road Capital ("QRC") are provided below.

Voluntary conversion

The debt 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 will be determined by the 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 debt is not converted, redeemed, purchased, or cancelled by the Company prior to the final maturity date, the debt shall be redeemed by the Company at its principal amount;

b) Redemption at the option of the issuer: Option to the issuer to redeem all the debt outstanding, prior to the final maturity date, at its 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; or
- 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;

c) Redemption at the option of bondholder if a change of control event occurs: the bondholder receives an option to require the issuer to redeem the debt prior to the final maturity date. In the event of a change of control, the debt 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. This redemption ratio is no longer applicable as no change of control event occurred on or prior to the second anniversary of the issuance date; or
- 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 debt holder in the event of project financing: In any event where the Company secures a project financing before the final maturity date of the debt, the debt holder can require the issuer to redeem the debt at its principal amount together with the accrued but unpaid interest to such date. The amendment in December 2022 removed this option.

Notes to the consolidated financial statements

D. Derivative liability on QRC convertible debt

QRC's option to convert the debt into equity and the associated potential issue of shares give rise to a variable amount of cash receivable by the Company and therefore the debt fails to meet the requirements to be classified as equity. The conversion feature of the debt has therefore been accounted for as a derivative liability, with the value of the conversion feature dependent on 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 of 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 fall outside the exemptions of IFRS 9 and to be 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 embedded option and debt liability at amortised cost.

Valuation Model

The Black Scholes model was chosen as the most appropriate pricing model to value QRC's option to convert the debt into equity and the valuation was updated at 31 December 2022. 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. Expected term of redemption calculated as 1.23 years from the valuation date.

Expected volatility – Weekly volatility over the 1.23 years (64 weeks) was calculated as 49.88% 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 3.15 on the valuation date on the ASX.

Using the assumptions set out above, the Black Scholes value of the call option in the hands of the debt holder is $6,369,219.

Sensitivity Analysis

Inputs to the Black Scholes model are based on management estimates regarding probabilities of future events. The results are sensitive to changes in key assumptions, namely the expected term of the debt and the volatility of the Company's share price.

Sensitivity of the debt 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		
		40%	Unchanged (49.88%)	65%
Change in expected term	26 Weeks	$2.32m Decrease	$1.79m Decrease	$0.96m Decrease
	Unchanged (49 weeks)	$0.84 Decrease	-	$1.3m Increase
	91 Weeks	$0.01 Decrease	$0.99m Increase	$2.5m Increase

7. Property, plant and equipment

Cost (In USD)	Land & Buildings	Plant & Machinery	Mine under Construction	Total
31 December 2020	**1,032,290**	**524,198**	**-**	**1,556,488**
Transfer from exploration and evaluation Asset	-	-	19,633,211	19,633,211
Additions	148,860	364,818	9,479,679	9,993,357
Disposals	-	(6,693)	-	(6,693)
Foreign exchange difference	(70,923)	(29,692)	(666,284)	(766,899)
31 December 2021	**1,110,227**	**852,631**	**28,446,606**	**30,409,464**
Additions	3,670,590	1,170,962	38,926,044	43,767,596
Recognition of Rehabilitation provision	-	-	4,431,212	4,431,212
Foreign exchange difference	-	2,546	-	2,546
31 December 2022	**4,780,817**	**2,026,139**	**71,803,862**	**78,610,818**

Additions of $43,767,569 include creditor balances of $1,535,702 at 31 December 2022 (31 December 2021: nil). The investment in purchase of property, plant and equipment of $42,231,895 in the consolidated statement of cash flows excludes these creditor balances.

Notes to the consolidated financial statements

Depreciation (in USD)	Land & Buildings	Plant & Machinery	Mine under Construction	Total
31 December 2020	**28,661**	**203,170**	**-**	**231,831**
Transfer from exploration and evaluation Asset	-	-	184,239	184,239
Charge for the year	21,109	81,138	-	102,247
Disposals	-	(3,587)	-	(3,587)
Foreign exchange difference	(1,824)	10,949	7,835	16,960
31 December 2021	**47,946**	**291,670**	**192,074**	**531,690**
Charge for the year	13,173	219,033	-	232,206
Foreign exchange difference	-	(13,641)	-	(13,641)
31 December 2022	**61,119**	**497,062**	**192,074**	**750,255**

Net Book Value (in USD)	Land & Buildings	Plant & Machinery	Mine under Construction	Total
31 December 2020	**1,003,629**	**321,028**	**-**	**1,324,657**
31 December 2021	**1,062,281**	**560,961**	**28,254,532**	**29,877,774**
31 December 2022	**4,719,698**	**1,529,077**	**71,611,788**	**77,860,563**

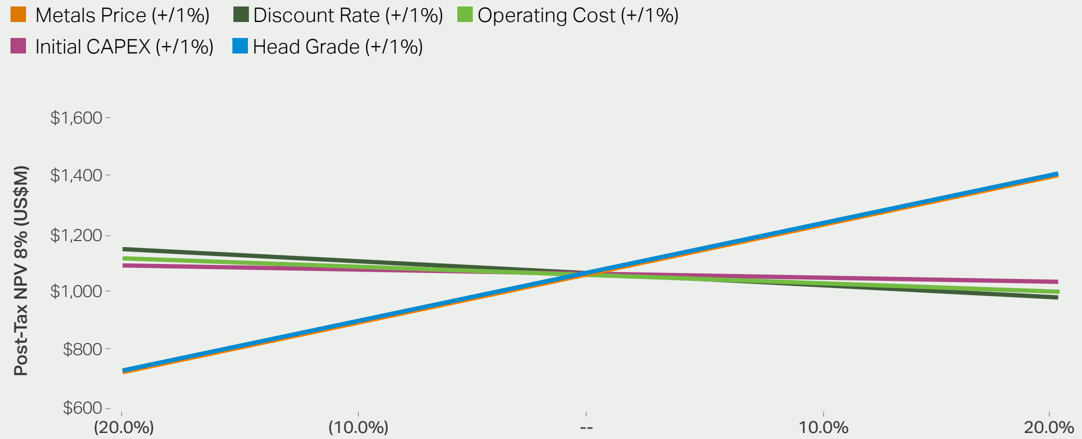
Mine under construction amounts relate to the Vares Project, located in Bosnia and Herzegovina. The balance of exploration and evaluation asset was transferred to mine under construction at the completion of the Feasibility Study in 2021.

The segmental analysis of property, plant and equipment net book value is as follows:

Cost (In USD)	Land & Buildings	Plant & Machinery	Mine under Construction	Total
31 December 2021				
Bosnia and Herzegovina	1,043,567	459,637	28,254,532	29,757,736
Serbia	-	73,536	-	73,536
Corporate	18,714	27,788	-	46,502
Total	**1,062,281**	**560,961**	**28,254,532**	**29,877,774**
31 December 2022				
Bosnia and Herzegovina	4,703,342	1,420,191	71,611,788	77,735,321
Serbia	-	89,837		89,837
Corporate	16,356	19,049		35,405
Total	**4,719,698**	**1,529,077**	**71,611,788**	**77,860,563**

The sensitivity of the Vares Project to key project inputs is considered within the Feasibility Study, which showed a post-tax NPV_8 of $1,062m. The chart below includes sensitivities to key inputs, demonstrating that significant headroom exists over the $71,611,788 net book value of the Vares Project mine under construction:

Chart x: Sensitivity chart of Post-Tax NPV 8% (US$ million) to inputs



Notes to the consolidated financial statements

8. Exploration and evaluation assets

Cost (In USD)	Vares Project in Bosnia and Herzegovina	Raska Project in Serbia	Exploration & Evaluation Assets
31 December 2020	**16,592,993**	**31,923,450**	**48,516,443**
Additions	3,770,726	-	3,770,726
Foreign exchange difference	(730,508)	(21,741)	(752,249)
Transfer to Mine under Construction	(19,633,211)	-	(19,633,211)
31 December 2021	**-**	**31,901,709**	**31,901,709**
Foreign exchange difference	-	(214,750)	(214,750)
Impairment		(23,186,959)	(23,186,959)
31 December 2022	**-**	**8,500,000**	**8,500,000**
Amortisation			
31 December 2020	**162,563**	**-**	**162,563**
Charge for the year	39,562	-	39,562
Foreign exchange difference	(17,886)	-	(17,886)
Transfer to Mine under Construction	(184,239)	-	(184,239)
31 December 2021	**-**	**-**	**-**
31 December 2022	**-**	**-**	**-**
Net Book Value			
31 December 2020	**16,430,430**	**31,923,450**	**48,353,880**
31 December 2021	**-**	**31,901,709**	**31,901,709**
31 December 2022	**-**	**8,500,000**	**8,500,000**

Exploration and evaluation assets relate to the Vares Project, prior to its transfer to mine under construction in 2021, and the Raska Project in Serbia.

The Raska exploration and evaluation balance at 31 December 2021 of $31,901,709 mainly reflects the $31,804,990 value recorded on the acquisition of the Tethyan group, by which the Company acquired the Kremice, Kizevak and Sastavci licences (see note 9 for further details).

In late 2022 the Company carried out a strategic review of the Raska Project which resulted in changes to the development plan for the project. Focusing its resources on Vares Project construction and on exploration at Rupice and Rupice NW means that resources available for exploration in Serbia will be more focused and limited in the coming year. The Company therefore plans to develop the Raska Project over a longer horizon, including advancing new prospects in the Company's tenement area during 2023 to complement Kremice, Kizevak and Sastavci. Although the Company remains positive about the future prospects for Raska, it has determined that the longer development horizon now envisaged makes it appropriate at this time to recognise an impairment of $23,186,959 against the project's carrying amount, resulting in a carrying amount of $8,500,000 at 31 December 2022. The recoverable amount has been determined by a benchmarking exercise using industry standard valuation measures to determine a fair value less cost to dispose in line with the requirements of IAS 36. The benchmarking involved value analysis of more than twenty single project listed mining companies with similar project attributes (silver-zinc-lead) to derive an appropriate value for the estimated Raska Project resource. This is considered to be a Level 3 valuation approach.

The Raska Project is managed as a single project and if advanced to the production stage, it is anticipated that there would be a single processing plant. The project is therefore treated as a single cash generating unit, with the post-impairment value of $8,500,000 attributed to the Raska Project as a whole instead of to specific tenements.

9. Acquisition note

On 8 October 2020 the Company finalised the acquisition of Tethyan Resource Corp. ("Tethyan"). Prior to its acquisition Tethyan entered into an option agreement with EFPP d.o.o. the holder of the Kizevak and Sastavci licences in Serbia, with first closing completed on 14 May 2020 to acquire 10% equity in EFPP d.o.o. Immediately prior to the completion of the acquisition of Tethyan by the Company the Kizevak and Sastavci licences were spun out to a newly formed company called Ras Metals d.o.o. ("Ras") in which Tethyan also held a 10% equity interest. The spin out was a condition precedent to closing of the Tethyan acquisition.

At any time within 12 months of the Ras transaction first closing, the Company was able to acquire the remaining 90% ownership stake in Ras by:

- making a payment of €1,365k to the sellers of Ras;
- granting a 2% NSR over the licences
- issuing 664,000 shares of the Company to the sellers in four equal tranches every six months commencing on second closing; and
- making a €0.5m payment on the two-year anniversary of the first closing.

With the exception of the 2% NSR grant over the licences which could not be reliably estimated at that time, the fair value of remaining consideration payable under the Ras Option agreement was estimated at $3,436,991 at 31 December 2020.

Notes to the consolidated financial statements

On 23 February 2021, the Company completed the acquisition of the remaining issued share capital of Ras making payment of €1,365k to the sellers and issuing the first tranche of 166,000 shares. Upon the acquisition of the remaining 90% of the shares in Ras that the Company did not already hold on 23 February 2021 the balance of the non-controlling interest was transferred to Retained Earnings.

On 24 August 2021 the second tranche of 166,000 shares was issued in line with the agreement. The third tranche of 166,000 shares was issued on 2 March 2022 and €0.5m was also paid to sellers on 11 May 2022. The fourth and final tranche of 166,000 shares was issued on 22 August 2022.

The fair value of the 2% NSR over the licences, which is the remaining element of deferred consideration, continues to be estimated at the balance sheet date to be nil, on the basis that it will not be possible to make a reliable estimate until a feasibility study has been prepared. The Company has not yet defined a JORC-compliant resource.

Measurement of assets and liabilities at acquisition

IFRS 10 requires assets acquired to be recorded at cost, with cost allocated over the group of assets at relative fair value. Consideration above the historical book value of assets should be recognised as an exploration and evaluation asset (representing the value of the rights contained within licences acquired).

The Kremice licence was historically accounted for as an asset acquisition by Tethyan when originally acquired. The fair value of the consideration paid was determined and allocated to exploration and evaluation assets as €250,000 cash plus 12,000,000 shares issued in Tethyan, equating to £1,587,934 ($2,051,262). The net liability position of 100% owned Tethyan companies when acquired was $227,002 which includes the aforementioned exploration and evaluation assets.

The Kizevask and Sastavci licences held by Ras were assigned a value equal to the total consideration payable of $29,753,728 less Tethyan net liabilities of $227,002, being $29,526,726.

(In USD)	
Total fair value of consideration to be paid	29,753,728
Exploration assets included within the net assets of Tethyan 100% owned entities	2,051,262
Total exploration and evaluation asset value at acquisition	**31,804,990**

As part of the agreement to acquire Tethyan Group, the Company provided a convertible loan facility to Tethyan and had advanced €1.8m under the facility to the date of acquisition on 8 October 2020. Effective the same date this loan was amended, removing the convertible option from the loan and the conversion value $426,425 was released to the profit and loss in the period to 31 December 2020. At 31 December 2020, this financial instrument was eliminated on consolidation for the Group.

Asset Acquisition

The net book value of assets acquired and liabilities assumed on the acquisition date is detailed below:

(In USD)	Book Value
Cash and cash equivalents	403,323
Receivables and prepayments	72,803
Property, plant and equipment	22,780
Exploration & evaluation asset	2,051,262
Accounts payable and accrued liabilities	(655,386)
Related party borrowings	(2,121,784)
Total net assets acquired	**(227,002)**

Management determined there was no present access to returns in Ras owing to the variable consideration included in the exercise price at 31 December 2020. The Group therefore recognised a 90% non-controlling interest in Ras totaling $3,436,991 measured as the balancing figure between the fair value of the acquisition, fair value of Tethyan assets acquired, and the investment recognised in the Company accounts. Other Equity balance of $3,436,991 was recognised. The fair value of the remaining consideration to be paid of $3,436,991 was recognised as deferred consideration, which has reduced as amounts have been settled and any difference arising from changes in the fair value of the deferred consideration has been recognised in the profit & loss.

The total loss attributable to the non-controlling interest between the 8 October 2020 acquisition and 31 December 2020 was $696,676, which, combined with the amount recognised on acquisition of $3,436,991, resulted in a balance of non-controlling interest at 31 December 2020 of $2,740,315.

Further losses of $267,936 were incurred by Ras Metals under the option agreement, reducing the non-controlling interest to $2,472,379. Upon the acquisition of the remaining share capital on 23 February 2021, this balance of the non-controlling interest and other equity was transferred to Retained Earnings.

Notes to the consolidated financial statements

Movements in the deferred consideration and non-controlling interest are shown below:

(In USD)	Deferred Consideration	Non-Controlling Interest	Other Equity
30 June 2020	**-**		
Acquisition first close 8 October 2020	3,436,991	(3,436,991)	3,436,991
Ras Metals d.o.o. loss for the period	-	696,676	-
31 December 2020	**3,436,991**	**(2,740,315)**	**3,436,991**
Payments to sellers	(1,635,268)	-	-
Ras Metals d.o.o. loss for the period	-	267,936	-
Acquisition second close 23 February 2021 – transfer to Retained Earnings	-	2,472,379	(3,436,991)
Value of shares issued to sellers	(612,744)	-	-
Revaluation of fair value liability	(27,710)	-	-
31 December 2021	**1,161,269**	**-**	**-**
Value of shares issued to sellers	(484,145)	-	-
Payments to sellers	(525,785)	-	-
Revaluation of fair value liability	(151,339)	-	-
31 December 2022	**-**	**-**	**-**

10. Accounts payable and accrued liabilities

(In USD)	31 December 2022	31 December 2021
Trade payables	2,585,755	526,523
Accrued liabilities	2,617,585	2,769,549
Other payables	138,400	1,022,722
	5,341,740	**4,318,794**

Other payables include amounts payable in relation to PAYE, prior year balance of $1,022,722 includes amounts in relation to performance right exercises in December 2021, with resulting PAYE settled in January 2022.

11. Right-of-use assets and lease liabilities

Set out below are the carrying amounts of right-of-use assets accounted for in accordance with IFRS 16 and the movements during the year:

(In USD)	Land & buildings	Plant & Machinery	Total
31 December 2020	**322,943**	**-**	**322,943**
Additions	490,970	-	490,970
Depreciation	(78,599)	-	(78,599)
Foreign exchange difference	(2,068)	-	(2,068)
31 December 2021	**733,246**	**-**	**733,246**
Additions	297,468	9,064,201	9,361,669
Modification	26,404	-	26,404
Depreciation	(155,602)	(904,115)	(1,059,717)
Foreign exchange difference	(107,937)	170	(107,767)
31 December 2022	**793,579**	**8,160,256**	**8,953,835**

The largest right-of-use asset relates to mining equipment delivered prior to 31 December 2022 under a five year mining services contract with Nova Mining & Construction d.o.o. Remaining leases relate to administrative buildings and coresheds for the Group.

Modification during the year relates to updated terms in respect of Serbia administrative lease, additional $26,404 recognised as right-of-use asset.

Notes to the consolidated financial statements

Set out below are the carrying amounts of lease liabilities and the movements during the year:

(In USD)	Land & buildings	Plant & Machinery	Total
31 December 2020	**348,892**	**-**	**348,892**
Additions	493,250	-	493,250
Interest expense	33,302	-	33,302
Payments	(92,767)	-	(92,767)
Foreign exchange difference	(15,579)	-	(15,579)
31 December 2021	**767,098**	**-**	**767,098**
Additions	297,468	9,062,598	9,360,066
Modification	16,850		16,850
Interest expense	130,771	458,606	589,377
Payments	(270,236)	(2,209,332)	(2,479,568)
Foreign exchange difference	(57,590)	(9,492)	(67,082)
31 December 2022	**884,361**	**7,302,380**	**8,186,741**

Of the total amount at 31 December 2022, $2,379,000 (prior year; $141,674) is recognised as a current liability and the remainder $5,807,741 is shown within non-current liabilities (prior year; $625,424). See maturity analysis in note 15b.

Modification during the year relates to updated terms in respect of Serbia administrative lease, additional $16,850 recognised as right-of-use liability.

The following are the amounts recognised in statement of comprehensive income:

Cost (In USD)	12 months to December 2022	12 months to 31 December 2021
Depreciation expense of right-of-use assets	1,059,717	78,599
Interest expense on lease liabilities	589,377	33,302
Total amount recognised in profit or loss	**1,649,094**	**111,901**

The following are the amounts recognised in statement of cashflow:

Cost (In USD)	12 months to December 2022	12 months to 31 December 2021
Capital payments on lease liabilities	(1,890,191)	(59,465)
Interest paid on leases liabilities	(589,377)	(33,302)
Total amount paid in respect of lease liabilities	**(2,479,568)**	**(92,767)**

12. Financial instruments

IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy, depending on whether the fair value measurements are derived from:

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); or

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.

See note referenced for further detail on inputs to fair value for each financial instrument.

At 31 December 2022 (In USD)	Note	At amortised cost	At fair value through profit or loss	Total	Fair Value Hierarchy
Financial assets					
Cash and cash equivalents		60,585,277	–	60,585,277	N/A
Accrued interest receivable		35,938	–	35,938	N/A
Total financial assets		**60,621,215**	**-**	**60,621,215**	
Financial liabilities					
Accounts payable and accrued liabilities	10	5,341,740	–	5,341,740	N/A
Borrowings	6	42,498,052	-	42,498,052	Level 3
Derivative liability	6	-	6,369,219	6,369,219	Level 3
Lease liabilities	11	8,186,741	–	8,186,741	Level 3
Total financial liabilities		**56,026,533**	**6,369,219**	**62,395,752**	
Net financial assets/(liabilities)		**4,594,682**	**(6,369,219)**	**(1,774,537)**	

Notes to the consolidated financial statements

At 31 December 2021 (In USD)	Note	At amortised cost	At fair value through profit or loss	Total	Fair Value Hierarchy
Financial assets					
Cash and cash equivalents		112,506,468	-	112,506,468	N/A
Total financial assets		**112,506,468**	**-**	**112,506,468**	**-**
Financial liabilities					
Accounts payable and accrued liabilities	10	4,318,794	-	4,318,794	N/A
Borrowings	6	16,071,066	-	16,071,066	Level 3
Derivative liability	6	-	2,502,423	2,502,423	Level 3
Deferred Consideration	9	-	1,161,269	1,161,269	Level 1
Lease liabilities	11	767,098	-	767,098	Level 3
Total financial liabilities		**21,156,958**	**3,663,692**	**24,820,650**	
Net financial assets/(liabilities)		**91,349,510**	**(3,663,692)**	**87,685,818**	

13. Financial risk management

A. Credit risk

Credit risk arises from the risk that a counter party will fail to perform its obligations. Financial instruments that potentially subject the Group to concentrations of credit risk consist of cash and cash equivalents and receivables (excluding prepayments).

Due to the nature of the business, the Group's exposure to credit risk arising from routine operating activities is currently inherently low. However, the Audit & Risk Committee considers the risks associated with new material counterparties where applicable to ensure the associated credit risk is of an acceptable level.

The total carrying amount of cash and cash equivalents and receivables represents the Group's maximum credit exposure.

The Group's cash is held in major UK, Jersey, Australian, Serbian and Bosnian financial institutions, and as such the Group is exposed to credit risks of those financial institutions. The Group's main cash holdings are located in UK and Jersey A1 or A2 rated institutions and as such are considered to have low credit risk.

The Group's receivables primarily relate to value added tax receivables due from governments in the UK and Bosnia and Herzegovina. These amounts are excluded from the definition of financial instruments in the accounts and in any event are considered to have low credit risk. Of the remaining receivables and prepayments, any changes in management's estimate of the recoverability of the amount due will be recognised in the period of determination and any adjustment may be significant.

The Board of Directors, with input from the Audit & Risk Committee, is ultimately responsible for monitoring exposure to credit risk on an ongoing basis and does not consider such risk to be significant at this time. As such, the Group considers all of its financial assets to be fully collectible.

B. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

The following table illustrates the maturity analysis of the Group's contractual gross financial liabilities based on exchange rates at the reporting date. The contractual gross financial liabilities shown below are undiscounted estimated cash outflows which, where applicable, include estimated future interest payments, and certain amounts therefore differ from the amounts presented in the consolidated financial statements and elsewhere in the accompanying notes.

As at 31 December 2022 (In USD)	Within 30 days	30 days to 6 months	6 to 12 months	Over 12 months
Accounts payable and accrued liabilities	5,341,740	–	-	-
Borrowings	-	-	-	46,316,489
Derivative liability	-	-	-	6,369,219
Lease liabilities	198,250	991,250	1,189,500	7,995,030
	5,539,990	**991,250**	**1,189,500**	**60,680,738**

As at 31 December 2021 (In USD)	Within 30 days	30 days to 6 months	6 to 12 months	Over 12 months
Accounts payable and accrued liabilities	4,126,979	–	–	191,815
Borrowings	-	-	-	16,071,066
Derivative liability	-	-	-	2,502,423
FV Option Liability on acquisition		864,867	296,401	-
Lease liabilities	-	70,837	70,837	854,183
	4,126,979	**935,704**	**367,238**	**19,619,487**

Notes to the consolidated financial statements

C. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the value of the Group's financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximising long term returns.

The Group conducts development and exploration projects in Bosnia and Herzegovina and in Serbia. As a result, a portion of the Group's expenditures, receivables, cash and cash equivalents, accounts payable and accrued liabilities are denominated in Bosnian Marks, Serbian Dinar, Great Britain Pounds, Australian Dollars, and Euros and are therefore subject to fluctuation in exchange rates.

At 31 December 2022, a 10% change in the exchange rate between USD and the Euro, Bosnian Mark and Serbian Dinar, which is a reasonable estimation of volatility in exchange rates, would have an impact of approximately $0.7m on the Group's total comprehensive loss, and approximately $0.8m on the balance of cash and cash equivalents.

D. Fair values

The fair value of cash, receivables, accounts payable and accrued liabilities approximate their carrying amounts due to the short term nature of the instruments.

As set out in note 12, fair value measurements recognised in the consolidated statement of financial position subsequent to their initial fair value recognition can be classified into Levels 1 to 3 based on the degree to which fair value is observable.

There were no transfers between any levels of the fair value hierarchy in the current or prior years.

E. Capital management

The Group's objectives in managing capital are to safeguard its ability to operate as a going concern while pursuing exploration and development and opportunities for growth through identifying and evaluating potential acquisitions of assets or businesses. The Company defines capital as the equity attributable to equity shareholders of the Company which at 31 December 2022 was $107,903,026 (31 December 2021: $152,418,109).

The Group sets the amount of capital in proportion to its risk and corporate growth objectives. The Group manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets.

See note 6 for details of the Group's borrowings and derivative liability.

14. 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 USD)	Share Premium In USD)	Merger Reserve (In USD)
31 December 2020	**207,576,675**	**4,217,209**	**43,946,114**	**22,392,879**
Issue of share capital	49,350,000	893,946	100,072,041	-
Shares issued on acquisition of subsidiary	332,000	6,132	-	626,285
Settlement placement	1,287,236	23,868	1,173,991	-
Share issue costs	-	-	(4,486,027)	-
Shares issued on exercise of options and performance rights	6,542,958	120,143	990,975	-
Shares issued on exercise of warrants	984,371	18,248	1,562,581	-
31 December 2021	**266,073,240**	**5,279,546**	**143,259,675**	**23,019,164**
Shares issued as consideration for acquisition of subsidiary	332,000	5,579	-	478,566
Share Issue costs	-	-	(86,199)	-
Shares issued on exercise of options and performance rights	6,341,052	91,224	656,155	-
31 December 2022	**272,746,292**	**5,376,349**	**143,829,631**	**23,497,730**

The average price paid for shares issued in the year was $0.19 per share (31 December 2021: $1.82 per share).

The settlement placement during 2021 related to a Deed of Settlement and Release with Sandfire Resources Limited ("Sandfire") announced by the Company on 3 November 2020, whereby both parties agreed to settle a dispute announced by the Company on 31 July 2020 regarding a Collaboration and Strategic Partnership Deed previously entered into between them. Sandfire chose to exercise its anti-dilution right in respect of issues of equity by the Company subsequent to the settlement, up to the point of the Orion Equity Subscription as announced on 13 October 2021, and subsequently sold its entire holding in the Company.

Notes to the consolidated financial statements

C. Share options and performance rights

All share options and performance rights are issued under the Group's share option plan.

The following table summarises movements of the Company's share option plan:

	Weighted average exercise price of options (USD)	Number of options	Number of performance rights	Total options and performance rights
31 December 2020	**0.41**	**17,369,779**	**3,735,000**	**21,104,779**
Granted	N/A	-	1,657,259	1,657,259
Exercised	0.33	(3,140,699)	(3,402,259)	(6,542,958)
Expired	0.31	(2,016,600)	(1,000,000)	(3,016,600)
31 December 2021	**0.39**	**12,212,480**	**990,000**	**13,202,480**
Granted	N/A	-	548,012	548,012
Exercised	0.12	(7,016,600)	(290,000)	(7,306,600)
Expired	1.28	(21,580)	(306,418)	(327,998)
31 December 2022	**0.46**	**5,174,300**	**941,594**	**6,115,894**

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.

No options were granted during the year or prior year. Performance rights granted in the year were valued using the Black-Scholes method (see note 14f).

Options outstanding:

At 31 December 2022

Grant date	Options outstanding	Exercise price	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable
27 April 2018	4,000,000	A$0.20	0.5	1 July 2023	4,000,000
8 October 2020 [1]	3,320	£1.06	-	5 December 2022	3.320
8 October 2020	29,880	£1.06	0.1	3 January 2023	29,880
8 October 2020	91,300	£1.80	1.2	28 February 2024	68,060
8 October 2020	24,900	£2.22	1.2	7 March 2024	14,940
8 October 2020	24,900	£1.20	1.6	19 August 2024	14,940
6 November 2020	1,000,000	A$2.20	0.9	7 November 2023	1,000,000
	5,174,300				**5,131,140**

1. The conditions to exercise were met prior to the expiry date of 5 December 2022 and the shares were subsequently issued on 17 January 2023.

At 31 December 2021

Grant date	Options outstanding	Exercise price	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable
27 April 2018	9,000,000	A$0.20	1.5	1 July 2023	9,000,000
29 November 2019	1,000,000	A$1.00	0.9	28 November 2022	1,000,000
29 November 2019	1,000,000	A$1.25	0.9	28 November 2022	1,000,000
8 October 2020	41,500	£1.06	0.9	5 December 2022	41,500
8 October 2020	29,880	£1.06	1.0	3 January 2023	29,880
8 October 2020	91,300	£1.80	2.2	28 February 2024	50,630
8 October 2020	24,900	£2.22	2.2	7 March 2024	7,470
8 October 2020	24,900	£1.20	2.6	19 August 2024	7,470
6 November 2020	1,000,000	A$2.20	1.9	7 November 2023	1,000,000
	12,212,480				**12,136,950**

Notes to the consolidated financial statements

Performance rights outstanding:

At 31 December 2022

Grant date	Performance rights outstanding	Weighted average remaining contractual life (Years	Expiry date	Number exercisable
6 August 2020	500,000	2.0	31 December 2024	-
17 February 2022	100,000	1.0	31 December 2023	-
17 February 2022	100,000	1.5	30 June 2024	-
17 February 2022	41,594	3.0	31 December 2025	-
5 April 2022	100,000	1.0	31 December 2023	-
5 April 2022	50,000	2.0	31 December 2024	-
5 April 2022	50,000	3.0	31 December 2025	-
	941,594			**-**

At 31 December 2021

Grant date	Performance rights outstanding	Weighted average remaining contractual life (Years	Expiry date	Number exercisable
29 November 2019	50,000	0.9	28 November 2022	50,000
6 August 2020	500,000	3.0	31 December 2024	-
18 November 2020	40,000	1.0	31 December 2022	40,000
30 June 2021	100,000	1.0	31 December 2022	100,000
30 June 2021	50,000	1.2	31 March 2023	-
30 June 2021	100,000	2.2	31 March 2024	-
01 July 2021	150,000	1.5	30 June 2023	-
	990,000			**190,000**

D. Warrants reserve

Warrants were issued as part of Tethyan Resource Corp acquisition.

The following table presents movements in the Group's warrants reserve:

(In USD)	Warrants reserve
31 December 2020	**3,629,619**
Exercise of warrants	(655,786)
Expired warrants	(230,530)
31 December 2021	**2,743,303**
Exercise of warrants	-
Expired warrants	-
31 December 2022	**2,743,303**

At 31 December 2022

Grant date	Warrants outstanding	Exercise price	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable
29 November 2019	2,651,020	A$0.88	1.1	30 January 2024	2,651,020
	2,651,020				**2,651,020**

At 31 December 2021

Grant date	Warrants outstanding	Exercise price	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable
29 November 2019	2,651,020	A$0.88	2.1	30 January 2024	2,651,020
	2,651,020				**2,651,020**

Notes to the consolidated financial statements

E. Share-based payment reserve

The following table presents changes in the Group's share-based payment reserve during the year ended 31 December 2022:

(In USD)	Share-based payment reserve
31 December 2020	**7,465,235**
Exercise of share options and performance rights	(3,665,232)
Issue of performance rights	2,861,858
Expiry/cancellation of share options and performance rights	(882,979)
31 December 2021	**5,778,882**
Exercise of share options and performance rights	(2,130,739)
Issue of performance rights	873,155
Short term incentive plan awards	576,000
Expiry/cancellation of share options and performance rights	(153,862)
31 December 2022	**4,943,436**

By agreement with the Company, certain members of the Company's executives elected to reinvest their short term incentive plan cash bonuses in respect of performance in the year ended 31 December 2022. In lieu of paying such cash bonuses, on 13 February 2023 the Company issued an aggregate of 258,760 new ordinary shares at an issue price of £1.70 per share. This transaction falls under the scope of IFRS 2 and for the year ended 31 December 2022, $576,000 has been recognised in the share-based payment reserve (prior year; nil).

F. Share-based payment expense

During the year ended 31 December 2022; the Group recognised share-based payment expenses of $1,295,293 (31 December 2021: $1,978,880).

(In USD)	Year Ended 31 December 2022	Year Ended 31 December 2021
Awards and expiry/cancellations during the year		
Issue of options and performance rights	367,525	317,318
Short term incentive plan awards	576,000	-
Expiry/cancellation of options	(3,971)	-
	939,554	**317,318**
Awards and expiry/cancellations relating to prior years awards		
Issue of options and performance rights	505,630	2,544,540
Expiry/cancellation of options	(149,891)	(882,978)
	355,739	**1,661,562**
	1,295,293	**1,978,880**

The issue of options and performance rights gives rise to a share-based payment expense which is based on the fair value of the share-based payment compensation, which is recognised over the expected vesting period.

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:

	Year Ended 31 December 2022	Year Ended 31 December 2021
Risk-free interest rate	0.33% -1.31%	0.01%
Expected volatility [1]	33% - 36%	44.14% - 44.21%
Expected life (years)	1.7 – 3.9	1.5 – 2.75
Fair value per performance right	$1.50 – $1.79	$1.68-$1.86

1. Expected volatility is derived from the Company's historical share price volatility.

All options and performance rights have both market and non-market vesting conditions with the exception of those issued to Non-Executive Directors in prior periods. 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 & Nomination Committee Report.

Notes to the consolidated financial statements

G. Per share amounts

	Year Ended 31 December 2022	Year Ended 31 December 2021
Loss for the year attributable to owners of the parent equity (In USD)	14,142,818	13,922,876
Weighted average number of common shares for the purposes of basic loss per share	267,970,085	220,323,937
Weighted average number of common shares for the purposes of diluted loss per share	282,171,511	245,652,425
Basic loss per share (cents)	(17.59)	(6.32)
Diluted loss per share (cents)	**(16.71)**	**(5.67)**

A total of 941,594 (31 December 2021: 990,000) options and performance rights have been excluded from the calculation of diluted EPS because their exercise was contingent on the satisfaction of certain criteria that had not been met at the end of the respective year.

H. Foreign currency translation reserve

(In USD)	Foreign Currency Translation Reserve
31 December 2020	**2,221,383**
Other comprehensive income	(1,148,169)
31 December 2021	**1,073,214**
Other comprehensive income	187,119
31 December 2022	**1,260,333**

I. Cash flow from financing activities

In the year to 31 December 2022, net cash flow proceeds from the issue of ordinary shares in the year was $747,379 (31 December 2021: $104,869,535). Transaction costs arising from equity financing activities totals $86,199 (31 December 2021: $4,486,027), and transaction costs arising from debt financing activities totals $3,823,115 (31 December 2021: nil).

15. Taxation

A. Current taxation

The tax charge for the year comprises:

(In USD)	Year Ended 31 December 2022	Year Ended 31 December 2021
Current tax expense	–	–
Prior year tax expense	-	-
Overseas tax	–	–
Deferred tax expense	–	–
Adjustments to deferred tax liability	–	–
Total tax charge	**-**	**-**

The table below reconciles the tax charge for the period with the standard rate of corporation tax in the United Kingdom applied to the loss for the year:

(In USD)	Year Ended 31 December 2022	Year Ended 31 December 2021
Loss before tax	47,142,818	14,190,812
Expected income tax recovery – 19% (2021 - 19%)	8,957,135	2,696,945
Expenses not deductible for tax purposes	(4,405,522)	(208,793)
Different Tax rates applied in overseas jurisdictions	(525,663)	(595,873)
Unrecognised taxable losses and timing differences	(4,026,050)	(1,892,279)
Total income taxes	**-**	**-**

Notes to the consolidated financial statements

B. Deferred tax

The Group has not recognised a deferred tax balance or gain/loss for the years ended 31 December 2022 or 31 December 2021 because of uncertainty regarding recoverability against future taxable profits. At each year end, the Group had the following non-capital losses available to carry forward to future years:

(In USD)	31 December 2022	31 December 2021	Expiry Date
UK	37,864,738	20,206,452	Not applicable
Bosnia and Herzegovina	6,808,636	2,903,294	5 years
Serbia	11,377,330	8,855,918	5 years
	56,050,704	**31,965,664**	

The expiry of non-capital losses available to carry forward in Bosnia and Herzegovina and Serbia is as follows:

At 31 December 2022

(In USD)	Bosnia and Herzegovina	Serbia
Within one year	297,835	883,447
1-2 years	531,128	977,426
2-3 years	663,013	1,696,030
3-4 years	1,133,211	5,232,143
Within 5 years	4,183,449	2,588,284
	6,808,636	**11,377,330**

16. Exploration activities expensed

(In USD)	Year Ended 31 December 2022	Year Ended 31 December 2021
Exploration activities expensed	1,361,548	3,962,900

Exploration activities expensed during the year represent costs incurred at the Raska Project, for which a JORC-compliant resource has not yet been established.

17. General and administrative expenses

(In USD)	Note	Year Ended 31 December 2022	Year Ended 31 December 2021
Wages and salaries		4,446,812	2,651,487
Consultancy fees		1,009,655	1,115,700
Cash remuneration in respect of qualifying services		**5,456,467**	**3,767,187**
Professional fees		892,886	1,176,342
Amortisation	8,11	1,059,717	118,161
Depreciation	7	232,206	102,247
Audit fee		194,600	115,233
Non audit services		45,980	34,392
Marketing		777,612	433,444
Stock exchange fees		188,862	239,955
Property Costs		412,292	229,412
IT expense		218,407	128,727
Insurance		225,556	121,184
Transportation costs		324,626	132,169
Other costs		610,573	666,837
		10,639,784	**7,265,290**

Notes to the consolidated financial statements

18. Finance income and expense

(In USD)	Year Ended 31 December 2022	Year Ended 31 December 2021
Interest income	334,497	-
Finance income	**334,497**	**-**

Interest income relates to interest earned on cash holdings.

(In USD)	Year Ended 31 December 2022	Year Ended 31 December 2021
Interest expense	1,890,937	1,809,476
Interest expense on lease liabilities	589,377	33,302
Foreign exchange loss	4,592,379	1,017,691
Finance expense	**7,072,693**	**2,860,469**

Interest expense principally relates to the QRC convertible bond. See note 6c for details.

Notes to the consolidated financial statements

19. Segmental information

The segmental analysis of the Group's loss after tax and movement in non-current assets is as follows:

	Year ended 31 December 2022				Year ended 31 December 2021			
(In USD)	Bosnia	Serbia	Corporate	Total	Bosnia	Serbia	Corporate	Total
Exploration costs	(775)	(1,360,773)	-	(1,361,548)	(601)	(3,962,299)	-	(3,962,900)
General and administrative expenses	(3,444,901)	(1,203,301)	(5,991,582)	(10,639,784)	(1,211,605)	(1,929,522)	(4,124,163)	(7,265,290)
Share-based payment expense	-	-	(1,295,293)	(1,295,293)	-	-	(1,978,880)	(1,978,880)
Exploration and evaluation impairment			(23,186,959)	(23,186,959)				
Other income	-		9,024	9,024	72,210		13,489	85,699
Operating Loss	**(3,445,676)**	**(2,564,074)**	**(30,464,810)**	**(36,474,560)**	**(1,139,996)**	**(5,891,821)**	**(6,089,554)**	**(13,121,371)**
Finance income	-	-	334,497	334,497	-	-	-	-
Finance expense	(735,100)	(64,253)	(6,273,340)	(7,072,693)	-	-	(2,860,469)	(2,860,469)
Revaluation of external borrowing and derivative liability	-	-	(4,081,401)	(4,081,401)	-	-	1,763,318	1,763,318
Revaluation of deferred consideration	-	-	151,339	151,339	-	-	27,710	27,710
Loss before taxation	(4,180,776)	(2,628,327)	(40,333,715)	(47,142,818)	(1,139,996)	(5,891,821)	(7,158,995)	(14,190,812)
Tax charge	-	-	-	-	-	-	-	-
Loss for the year	**(4,180,776)**	**(2,628,327)**	**(40,333,715)**	**(47,142,818)**	**(1,139,996)**	**(5,891,821)**	**(7,158,995)**	**(14,190,812)**
Purchase of mining under construction assets	37,390,342	-	-	37,390,342	9,479,679	-	-	9,479,679
Purchase of exploration & evaluation assets	-	-	-	-	3,770,726	-	-	3,770,726

Notes to the consolidated financial statements

20. Other income

(In USD)	Year Ended 31 December 2022	Year Ended 31 December 2021
Recharge of corporate office facilities and services	9,024	13,489
Miscellaneous income	-	72,210
	9,024	**85,699**

Recharge of corporate office facilities and services relates to shared facilities of the Company's registered UK office address. See related party disclosures for further details.

Miscellaneous income in the year ended 31 December 2021 related to the sale of scrap metal as part of preparatory works at the Vares processing plant.

21. 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 over which the Company may exert significant influence. The Company has identified the following related parties:

Swellcap Limited, an entity controlled by Paul Cronin;

Black Dragon Gold Corp, an entity of which Paul Cronin is the Non Executive Chairman and substantial shareholder;

Legal Solutions d.o.o., an entity of which Sanela Karic is Chief Executive Officer and substantial shareholder;

OMF Fund III (F) Ltd an entity controlled by Orion Resource Partners (UK) LLP, a major shareholder in Adriatic Metals PLC and provider of the Senior Secured Debt to Adriatic Metals Trading and Finance Ltd.;

Ventura Trustees Limited provides administration and accountancy services to Adriatic Metals Trading and Finance Ltd. Darren English and Stuart Hodgson are directors, and Paulina Harvey is an employee, of Ventura Trustees Limited, in which capacity they are also directors of subsidiary Adriatic Metals Trading and Finance Ltd.,

Baccata Secretaries Limited provides company secretarial services to Adriatic Metals Trading and Finance Ltd. Darren English and Stuart Hodgson are directors of Baccata Secretaries Limited, in which capacity Darren English is a director, and Stuart Hodgson was a director until his resignation during the year, of Adriatic Metals Trading and Finance Ltd.; and

The Adriatic Foundation is a not-for-profit trust which was created in Bosnia and Herzegovina with the objective of supporting the communities around the Vares Project. Adriatic Metals PLC provided the initial funding required for the formation of the Foundation. The Company has the ability to appoint the Board of Trustees of the Foundation and the Foundation has therefore been classified as a related party on the basis that the Company is in a position to yield significant influence over it.

Transactions and balances with these related parties were as follows:

	Year ended 31 December 2022		Year ended 31 December 2021		
Related Party (In USD)	(Payments to)/ received from	Balance (owed to)/due from	(Payments to)/ received from	Balance (owed to)/due from	Nature of transactions
Swellcap Limited	-	-	(19,293)	-	Corporate office facilities and services
Black Dragon Gold Corp	8,973	1,543	11,240	2,315	Corporate office facilities and services
Black Dragon Gold Corp	(6,276)	-			Travel Expenses
Legal Solutions d.o.o	(14,381)	(2,875)	-	-	Legal Services
OMF Fund III (F) Ltd	30,000,000	(30,030,806)	-	-	Senior Secured Debt
Ventura Trustees Limited	(10,242)	(15,813)	-	-	Administration and accountancy services
Baccata Secretaries Limited	396	(1,513)	-	-	Company secretarial services
Adriatic Foundation	-	-	(7,510)	-	Initial establishment costs
Adriatic Foundation	-	-	(13,155)	-	S Karic's waived board fees
Adriatic Foundation	-	-	(119,314)	-	Donation of €100,000.

During the year ended 31 December 2021, Paul Cronin gifted 250,000 ordinary shares held in the Company to the Foundation for nil consideration fulfilling the initial funding commitments made to the Foundation at the time of its launch.

The Company announced on 9 June 2021 its intention to donate 0.25% of the future profits from its operations in Bosnia and Herzegovina to the Foundation.

Transactions with key management personnel are disclosed in note 21b below.

Notes to the consolidated financial statements

B. Key management personnel compensation

Compensation for key management personnel is shown in the table below. 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 and the Managing Director and Chief Executive Officer in the year ended 31 December 2022 as well as the previous Chief Financial Officer up until departure.

(In USD)	Year Ended 31 December 2022	Year Ended 31 December 2021
Board fees	385,455	217,781
Consultancy fees	465,257	571,003
KPI bonus	-	96,297
Short term incentive plan bonus	272,597	267,546
Other	117,561	-
Cash remuneration in respect of qualifying services	**1,240,870**	**1,152,627**
Share-based payments expense	-	335,624
Social security costs	29,512	38,878
	1,270,382	**1,527,129**

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 14f of the accounts.

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

The balances owed at 31 December 2022 in respect of STIP bonuses was $338,839 to the Managing Director and Chief Executive Officer. There were no other balances outstanding with related parties at 31 December 2022 (31 December 2021: $133,504 in respect of GPE Consultancy Limited a company controlled by the previous Chief Financial officer).

22. Directors and employees

Employees of the Group are all employees including Directors, key management personnel and personnel in management positions engaged under management services contracts. The table below shows total costs for all employees, including costs capitalised during the year.

(In USD)	Year Ended 31 December 2022	Year Ended 31 December 2021
Wages and salaries	4,775,218	2,733,130
Consultancy fees	2,373,539	1,128,075
Cash remuneration in respect of qualifying services	**7,148,757**	**3,861,205**
Social security costs	2,365,912	605,363
Defined contribution pension cost	12,172	12,682
Share-based payments expense	1,295,293	1,978,880
Total	**10,822,134**	**6,458,130**
Average number of employees	158	109

The average number of employees was 158 in the year (31 December 2021 – 109 employees) due to increasing staff numbers as the Vares Project progressed.

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 14f of the accounts.

Directors' remuneration is set out below:

(In USD)	Year Ended 31 December 2022	Year Ended 31 December 2021
Board fees	385,455	217,781
Consultancy fees	380,542	334,846
KPI bonus paid	-	96,297
Accrued cash bonus	272,597	134,041
Cash remuneration in respect of qualifying services	**1,038,594**	**782,965**
Average number of Directors	6	6

Notes to the consolidated financial statements

Additionally, the monetary value of directors' share awards that vested in the year, calculated as the number of awards vested multiplied by the share price on the vesting date less options exercise price or performance rights nominal value payable, was $nil (31 December 2021: $1,497,409) of which nil relates to Non-Executive Directors (31 December 2021: nil).

The highest paid Director in the year ended 31 December 2022 received cash remuneration, excluding notional gains on share options or performance rights, of $601,303 (31 December 2021: $562,923). The highest paid Director in the year ended 31 December 2022 received remuneration, including notional gains on share options or performance rights, of $601,303 (31 December 2020: $2,060,332).

23. Rehabilitation provision

Based on construction activity on the Vares Project during the year, the Group has recognised a provision of $4,431,212 for its future closure, restoration and environmental obligations.

(In USD)	31 December 2022	31 December 2021
Undiscounted rehabilitation provision	6,551,455	-
Impact of discounting	(2,120,243)	-
	4,431,212	**-**

The provision represents the net present value of the Company's best estimate of the Vares mine's future closure, restoration and environmental obligations, based on the extent of land and other disturbance at 31 December 2022 caused by construction and other activities.

The Vares mine is not yet operational and the current mine life is estimated as ten years. Expenditure for rehabilitation will therefore occur more than 5 years after the balance date.

The fair value of the above provision is measured by unwinding the discount on expected future cash flows over the period up to closure, using a discount factor of 3.6% that reflects the credit-adjusted risk-free rate of interest. The yield of US Treasury bonds with a maturity profile commensurate with the anticipated rehabilitation schedule has been used to determine the discount factor applied to anticipated future rehabilitation costs.

The sensitivity of the provision to a 1% change in the discount factor is shown below:

a decrease from 3.6% to 2.6% would increase the provision by $0.7m with a corresponding increase in Property, plant and equipment; and

an increase from 3.6% to 4.6% would decrease the provision by $0.4m with a corresponding decrease in Property, plant and equipment.

Future climate change risks could impact the rehabilitation provision both in terms of the nature of decommissioning and rehabilitation required, as well as the cost of these activities given its long term nature. Climate change risks and mitigations have been considered in the TCFD Climate Disclosure within the Directors report, based on scenario analysis of potential future transition and physical risks. Specific detailed analysis of the potential impacts of climate risks will be carried out in future periods, which could result in adjustments to the provision.

24. Commitments and contingencies

At 31 December 2022, the Group had entered into a number of supply and works contracts as part of the development of the Vares Project. The expected payments in relation to these contracts which were not required to be recognised as liabilities at 31 December 2022 amounted to approximately $34m. Of this total, approximately $33m relates to contracts that are able to be terminated by the Company at any point in time. The amount payable following termination would be less than this total, with the precise amount depending on the timing of termination in each case. In addition, of the same total of approximately $34m, approximately $18m relates to contracts that can be suspended by the Company, with the Company paying only direct costs that are reasonably incurred and directly related to any such suspension for the time the supply of the goods is suspended.

In addition to the above capital commitments, the Group has entered into a five-year mining services contract with Nova Mining & Construction d.o.o. The contract is able to be terminated for convenience by the Company at any point in time. Amounts payable following such termination would include demobilisation and similar costs, as well as a compensation payment of up to $5m, depending on the timing of termination. As this amount reduces on a straight line basis over the life of the contract, the termination for convenience amount at 31 December 2022 would be $4.4m. In addition, the Group has committed to purchase the mining equipment provided by Nova Mining & Construction d.o.o., in order to ensure continuity of operations.

Notes to the consolidated financial statements

25. Net cash and borrowings

An analysis of net cash and borrowings, including lease liabilities, and movements in each year is shown below.

(In USD)	31 December 2022	31 December 2021
Cash and cash equivalents	60,585,277	112,506,468
Borrowings	(42,498,052)	(16,071,066)
Lease Liabilities	(8,186,741)	(767,098)
	9,900,484	**95,668,304**

	Borrowings	Lease liabilities	Cash and cash equivalents	Total
Net cash/(borrowings) at 1 January 2021	**(15,980,753)**	**(348,892)**	**40,418,257**	**24,088,612**
Net cash used in operating activities	-	-	(10,417,089)	(10,417,089)
Net cash used in investing activities	-	-	(13,761,598)	13,761,598
Lease additions	-	(493,250)	-	(493,250)
Foreign exchange movements	(232,240)	15,579	(546,908)	(763,569)
Interest expense	(1,699,740)	(33,302)	-	(1,733,042)
Net interest payments	1,841,667	33,302	(1,874,969)	-
Capital payments on leases		59,465	(59,465)	-
Net cash arising from issue of equity	-	-	100,383,508	100,383,508
Settlement of deferred consideration	-	-	(1,635,268)	(1,635,268)
Net cash/(borrowings) at 31 December 2021	**(16,071,066)**	**(767,098)**	**112,506,468**	**95,668,304**
Net cash used in operating activities	-	-	(11,233,068)	(11,233,068)
Net cash used in investing activities	-	-	(58,664,242)	(58,664,242)
Net proceeds from loans and borrowings	(26,176,885)	-	26,176,885	-
Lease additions	-	(9,360,066)	-	(9,360,066)
Foreign exchange movements	-	67,082	(4,433,976)	(4,366,894)
Changes in fair value due to modifications	(214,605)	(16,850)	-	(231,455)
Interest expense	(1,735,496)	(589,377)	-	(2,324,873)
Net interest payments	1,700,000	589,377	(2,011,994)	277,383
Capital payments on leases	-	1,890,191	(1,890,191)	-
Settlement of deferred consideration	-	-	(525,785)	(525,785)
Net cash arising from issue of equity	-	-	661,180	661,180
Net cash/(borrowings) at 31 December 2022	**(42,498,052)**	**(8,186,741)**	**60,585,277**	**9,900,484**

26. Prior year adjustment

See note 2b for details of the presentational currency change and resulting restatement of comparatives.

27. Subsequent Events

During February 2023, the second Senior Secured Debt tranche of $30m was drawn down and the $22.5m copper stream deposit was received.

The third and fourth tranches of the remaining $60m of Senior Secured Debt will be drawn down in 2023 when required subject to satisfaction of any applicable conditions.

Parent company statement of financial position

As at 31 December 2022

(In USD)	Note	31 December 2022	Restated* 31 December 2021	Restated* 1 January 2021
Assets				
Current assets				
Cash and cash equivalents		27,143,743	98,850,523	38,236,017
Receivables and prepayments	f	22,674,681	8,334,441	6,994,033
Total current assets		**49,818,424**	**107,184,964**	**45,230,050**
Non-current assets				
Investment in subsidiaries	i	34,929,119	61,079,862	48,357,172
Receivables and prepayments	f	57,733,284	18,694,155	-
Property, plant and equipment	g	35,406	46,502	56,129
Right-of-use asset	m	249,697	283,169	322,943
Total non-current assets		**92,947,506**	**80,103,688**	**48,736,244**
Total assets		**142,765,930**	**187,288,652**	**93,966,294**
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable and accrued liabilities	h	1,171,031	2,382,097	5,110,795
Lease liabilities	n	48,889	31,506	48,657
Deferred Consideration	p	-	1,161,269	-
Borrowings	o	-	-	144,173
Total current liabilities		**1,219,920**	**3,574,872**	**5,303,625**
Non-current liabilities				
Accounts Payable and accrued liabilities	h	5,240	18,418	-
Lease liabilities	n	238,535	284,718	300,235
Borrowings	o	16,285,683	16,071,066	15,836,580
Derivative Liability	o	6,369,219	2,502,423	4,160,918
Total non-current liabilities		**22,898,677**	**18,876,625**	**20,297,733**
Total liabilities		**24,118,597**	**22,451,497**	**25,601,358**

(In USD)	Note	31 December 2022	Restated* 31 December 2021	Restated* 1 January 2021
Shareholders' equity				
Share capital	j	5,376,349	5,279,546	4,217,209
Share premium	j	143,829,631	143,259,675	43,946,114
Merger reserve	j	23,497,730	23,019,164	22,392,879
Warrants reserve	j	2,743,303	2,743,303	3,629,619
Foreign currency translation reserve	j	2,513,538	2,513,416	3,606,614
Share-based payment reserve	j	4,943,436	5,778,882	7,465,235
Retained earnings	j	(64,256,654)	(17,756,831)	(16,892,734)
Total shareholders' equity		**118,647,333**	**164,837,155**	**68,364,936**
Total liabilities and shareholders' equity		**142,765,930**	**187,288,652**	**93,966,294**

See note b to the Parent Company Financial Statements for details of the restatement of the prior year comparatives.

The accompanying notes on pages 151 - 155 are an integral part of these Parent Company Financial Statements.

The Company's loss after tax for the year ended 31 December 2022 was $48,630,562 (year ended 31 December 2021: $5,401,903).

The Parent Company Financial Statements of Adriatic Metals PLC, registered number 10599833, were approved and authorised for issue by the Board of Directors on 30 March 2023 and were signed on its behalf by:

Paul Cronin
Managing Director & Chief Executive Officer

Mike Norris
Chief Financial Officer

Parent company statement of changes in equity

For the year ended 31 December 2022

(In USD)	Note	Share Capital	Share Premium	Merger Reserve	Share Based Payment Reserve	Warrants Reserve	Foreign Currency Translation Reserve	(Restated*) Retained earnings	Total Equity
31 December 2020 (Restated*)		**4,217,209**	**43,946,114**	**22,392,879**	**7,465,235**	**3,629,619**	**3,606,614**	**(16,892,734)**	**68,364,936**
Comprehensive loss for the year									
Loss for the year		-	-	-	-	-	(1,093,198)	(5,401,903)	(6,495,101)
Total comprehensive expense		**-**	**-**	**-**	**-**	**-**	**(1,093,198)**	**(5,401,903)**	**(6,495,101)**
Issue of share capital	j	893,946	100,072,041	-	-	-	-	-	100,965,987
Settlement placement	j	23,868	1,173,991	-	-	-	-	-	1,197,859
Share issue costs	j	-	(4,486,027)	-	-	-	-	-	(4,486,027)
Exercise of options	j	120,143	990,975	-	(3,665,232)	-	-	3,665,232	1,111,118
Issue of options	j	-	-	-	2,861,858	-	-	-	2,861,858
Exercise of warrants	j	18,248	1,562,581	-	-	(655,786)	-	655,786	1,580,829
Expiry/cancellation of options/warrants	j	-	-	-	(882,979)	(230,530)	-	230,530	(882,979)
Acquisition of subsidiary		6,132	-	626,285	-	-	-	(13,742)	618,675
31 December 2021 (Restated*)		**5,279,546**	**143,259,675**	**23,019,164**	**5,778,882**	**2,743,303**	**2,513,416**	**(17,756,831)**	**164,837,155**
Comprehensive income for the year		-	-	-	-	-	-	-	-
Loss for the year		**-**	**-**	**-**	**-**	**-**	**122**	**(48,630,562)**	**(48,630,440)**
Total comprehensive expense		**-**	**-**	**-**	**-**	**-**	**122**	**(48,630,562)**	**(48,630,440)**
Issue of share capital	j	-	-	-	-	-	-	-	-
Settlement placement	j	-	-	-	-	-	-	-	-
Share issue costs	j	-	(86,199)	-	-	-	-	-	(86,199)
Exercise of options	j	91,224	656,155	-	(2,130,739)	-	-	2,130,739	747,379
Issue of options	j	-	-	-	873,155	-	-	-	873,155
2022 STIP awards	j	-	-	-	576,000	-	-	-	576,000
Exercise of aarrants	j	-	-	-	-	-	-	-	-
Expiry/cancellation of options/warrants	j	-	-	-	(153,862)	-	-	-	(153,862)
Acquisition of subsidiary		5,579	-	478,566	-	-	-	-	484,145
31 December 2022		**5,376,349**	**143,829,631**	**23,497,730**	**4,943,436**	**2,743,303**	**2,513,538**	**(64,256,654)**	**118,647,333**

See note b to the Parent Company Financial Statements for details of the restatement of the prior year comparatives. The accompanying notes on pages 151 - 155 are an integral part of these Parent Company Financial Statements.

Notes to the parent company financial statements

A. Corporate information

These Financial Statements represent the individual financial statements of Adriatic Metals PLC (the "Parent Company"), the parent company of the Adriatic Metals Group for the year ended 31 December 2022.

The Parent Company is a public company limited by shares and incorporated in England and Wales. The registered office is located at Ground Floor, Regent House, 65 Rodney Road, Cheltenham, GL50 1HX.

B. Basis of preparation

i) Statement of compliance

In preparing these financial statements, the Company applies Financial Reporting Standards 101, 'Reduced Disclosure Framework' (FRS 101 'Reduced Disclosure Framework'), and applicable law.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned Group companies;
- Comparative year reconciliations for share capital, and intangible assets;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; a statement of compliance with FRS 101 is provided instead.
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of the ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures

The Parent Company Financial Statements were authorised for issue by the Board of Directors on 30 March 2023.

ii) Basis of measurement

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

These Parent Company Financial Statements are presented in USD compared with the prior year financial statements which were presented in Great British Pounds ("GBP", £). This change in presentation currency reflects the fact that the USD is a more widely recognised currency for the mining sector in which the Company operates. See note 2b to the consolidated financial statements for further details of the restatement of the prior year comparatives.

In addition, compared with the prior year, the functional currency of the Parent Company has changed from GBP to USD. See note 4Ba to the consolidated financial statements for further details.

Unless otherwise stated, all amounts indicated by "$" represent USD.

iii) Going concern

Refer to accounting policies in note 2c to the notes to the consolidated financial statements.

C. Significant accounting policies

In addition to the accounting policies in note 3 to the notes to the consolidated financial statements, the following accounting policies are relevant only to the Parent Company Financial Statements.

i) Investments in subsidiaries

Unlisted investments are carried at cost, being the purchase price, less provisions for impairment. Additional consideration paid when subscribing for new shares, is made via capital contributions and recorded as additions to investments in subsidiaries.

ii) Intercompany loans

All intercompany borrowings and loans are initially recognised at the fair value of consideration received or paid after deduction of issue costs and are subsequently measured at amortised cost.

iii) Impairment

The Company recognises an allowance for expected credit losses ("ECL") for all receivables held at amortised cost where there is objective evidence that the receivable is irrecoverable. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

Notes to the parent company financial statements

D. Critical accounting estimates and judgements

The preparation of the Parent Company's Financial Statements requires management to make certain judgements, estimates, and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from these estimates. In addition to the critical accounting estimates and judgements in note 4 to the consolidated financial statements, the following information about the significant judgements, estimates, and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses that are relevant only to the Parent Company Financial Statements are discussed below.

i) Value of investments in subsidiaries

The Parent Company's investments in subsidiaries, which are made via capital contributions or arise upon acquisition, are reviewed for impairment if events or changes indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant generating unit or disposal value if higher.

As set out in note i, following a reorganisation of the entities holding exploration tenements in Serbia, as a result of which all four licences were transferred to Ras Metals d.o.o., Adriatic Metals Jersey Limited was no longer the owner of any tenements with licences at 31 December 2022. This was identified as an impairment indicator in relation to the Parent Company's investment in Adriatic Metals Jersey Limited, as it cast doubt on Adriatic Metals Jersey Limited's fair value. A judgement was made to recognise a full impairment of $3,973,286 against the investment balance.

As also set out in note i, impairment indicators were identified in the year ended 31 December 2022 in relation to the Raska Project and judgement was made to recognise an impairment of $22,177,477 against the carrying amount of the investment in Ras Metals d.o.o., holder of the Raska Project tenements, resulting in a carrying amount of $8,500,000 at 31 December 2022. The carrying amount has been determined by a benchmarking exercise using industry standard valuation measures.

ii) Intercompany loans

As set out in note f, judgement was made to establish a provision of $7,489,859 at 31 December 2022 against foreign exchange adjusted receivables on the basis that the Raska Project impairment cast doubt on the subsidiaries' ability to repay the balances outstanding in the future. This had the effect of reducing the amounts receivable from subsidiaries at 31 December 2022 from $22,309,041 to $14,819,182.

E. Loss for the year

The Parent Company has taken advantage of the exemption under section 408 (3) of the Companies Act 2006 and thus has not presented its statement of comprehensive income in these Parent Company Financial Statements. The Parent Company's loss after tax for the year ended 31 December 2022 is £48,630,562 (year ended 31 December 2021 – $5,401,903).

F. Receivables and prepayments

Receivables contain amounts receivable for VAT, prepaid expenses and deposits paid. All receivables are held at cost less any provision for impairment.

The Raska Project impairment set out in note d cast doubt over the ability of the subsidiaries to repay intercompany balances owed to the Parent Company and a provision of $7,489,859 at 31 December 2022 was recognised (year ended 31 December 2021: nil), representing 100% of the balance of the receivables relating to the Raska Project reducing the non current amounts receivable from subsidiaries from $65,223,143 to $57,733,284.

All current receivables due within one year as follows:

(In USD)	31 December 2022	31 December 2021
Accrued interest income	57,114	-
Prepayments and deposits	202,118	713,789
Taxes recoverable	74,184	185,152
Amounts receivable from subsidiaries	22,309,041	7,433,193
Other receivables	32,224	2,307
	22,674,681	**8,334,441**

All non-current receivables due more than one year as follows:

(In USD)	31 December 2022	31 December 2021
Amounts receivable from subsidiaries	57,733,284	18,694,155
	57,733,284	**18,694,155**

Notes to the parent company financial statements

G. Property, plant and equipment

(In USD)	Land & Buildings	Plant and machinery	Total
31 December 2020	**23,809**	**74,848**	**98,657**
Additions	-	5,800	5,800
Foreign exchange difference	(239)	(848)	(1,087)
31 December 2021	**23,570**	**79,800**	**103,370**
Additions	-	10,110	10,110
Foreign exchange difference	-	2,546	2,546
31 December 2022	**23,570**	**92,456**	**116,026**
Depreciation			
31 December 2020	**2,525**	**40,003**	**42,528**
Charge for the year	2,397	12,621	15,018
Foreign exchange difference	(65)	(613)	(678)
31 December 2021	**4,857**	**52,011**	**56,868**
Charge for the year	2,356	21,396	23,752
Foreign exchange difference	-	-	-
31 December 2022	**7,213**	**73,407**	**80,620**
Net Book Value			
31 December 2020	21,284	34,845	56,129
31 December 2021	**18,713**	**27,789**	**46,502**
31 December 2022	**16,357**	**19,049**	**35,406**

H. Accounts payable and accrued liabilities

The breakdown of current accounts payable and accrued liabilities is as follows:

(In USD)	31 December 2022	31 December 2021
Trade payables	89,199	83,386
Accrued liabilities	918,861	1,213,425
Other payables	70,472	996,231
Amounts payable to subsidiaries	92,499	89,055
	1,171,031	**2,382,097**

The breakdown of non-current accounts payable and accrued liabilities is as follows:

(In USD)	31 December 2022	31 December 2021
Amounts payable to subsidiaries	5,240	18,418
	5,240	**18,418**

Notes to the parent company financial statements

I. Investments in subsidiaries

The breakdown of the investments in subsidiaries is as follows:

(In USD)	Eastern Mining d.o.o.	Adriatic Metals Holdings BIH Limited	Adriatik Metali d.o.o.	RAS Metals d.o.o.	Adriatic Metals Jersey Ltd	Total
31 December 2020	**20,806,189**	**-**	**-**	**-**	**27,550,983**	**48,357,172**
Additions	7,390,353	135	2,944	-	-	7,393,432
Transfer of RAS purchase option to the Company	-	-	-	27,843,051	(27,843,051)	-
Exercise of RAS Metals option	-	-	-	3,436,991	-	3,436,991
Group restructure	(26,322,684)	26,322,684	-	-	-	-
Capitalisation of intercompany loan balance	-	-	-	-	3,766,120	3,766,120
Foreign currency revaluation	(1,873,858)	103,324	12	(602,565)	499,234	(1,873,853)
31 December 2021	**-**	**26,426,143**	**2,956**	**30,677,477**	**3,973,286**	**61,079,862**
Impairment	-	-	-	(22,177,477)	(3,973,286)	(26,150,763)
Foreign currency revaluation	-	20	-	-	-	20
31 December 2022	**-**	**26,426,163**	**2,956**	**8,500,000**	**-**	**34,929,119**

In the year ended 31 December 2021, the Company sold Eastern Mining d.o.o. to Adriatic Metals Holdings BIH Limited (which was incorporated during the year ended 31 December 2021) in exchange for a single share issued by Adriatic Metals Holdings BIH Limited.

Adriatik Metali d.o.o. was incorporated during the year ended 31 December 2021.

At 31 December 2020, 10% of Ras Metals share capital was owned by Adriatic Metals Jersey Ltd (formerly Tethyan Resource Corp). As disclosed in note 9 to the consolidated financial statements, Adriatic Metals Jersey Ltd also held an option to acquire the remaining 90% of Ras Metals d.o.o. On 22 February 2021, the option to acquire the remaining 90% of Ras Metals was purchased by Adriatic Metals Plc from Adriatic Metals Jersey Ltd, the consideration being satisfied by way of a return of capital.

On 23 February 2021, the Parent Company completed the acquisition of the entire issued share capital of Ras Metals d.o.o. under an agreement (Ras Option Agreement) held by Adriatic Metals Jersey Ltd, a wholly owned subsidiary of the Company including the 10% that was previously owned by Adriatic Metals Jersey Ltd.

Intercompany loan balances between the Company and Adriatic Metals Jersey Ltd were capitalised resulting in investment balance of $3,766,120.

Following a reorganisation of the entities holding exploration tenements in Serbia, as a result of which all four licences were transferred to Ras Metals d.o.o., Adriatic Metals Jersey Limited was no longer the owner of any tenements with licences at 31 December 2022. This was identified as an impairment indicator in relation to the Parent Company's intercompany receivable from Adriatic Metals Jersey Limited, as it cast doubt on Adriatic Metals Jersey Limited's ability to repay the balance in the future. A judgement was made to recognise a full impairment of $3,973,286 against the receivable balance.

During the year ended 31 December 2022, impairment indicators were noted in relation to the Raska Project, see note 8 to the Consolidated Finance Statements for further information. This resulted in an impairment of $22,177,477 (year ended 31 December 2021: nil) against the investment in Ras Metals d.o.o., down to a carrying amount of $8,500,000 on the basis that the recoverable amount of the investment value is equal to the fair value less cost of disposal of the exploration and evaluation asset.

The list of subsidiaries of the Parent Company is presented in note 3a to the notes to the consolidated financial statements.

J. Equity

The balances and movements in share capital, share premium, share-based payment reserve, and warrants reserve are as detailed in note 14 to the consolidated financial statements. There are no differences compared with the Parent Company's transactions.

K. Related party disclosures

The Parent Company's related parties include key management personnel, companies which have directors in common and its subsidiaries.

Ownership of subsidiaries is disclosed in note 3 of the consolidated financial statements. Transactions with its Directors and key management personnel and transactions with companies which have directors in common during the year have been disclosed in notes 21 and 22 to the consolidated financial statements.

Notes to the parent company financial statements

L. Financial assets at fair value through profit and loss

The movements in financial assets at fair value through profit and loss are as detailed in note 12 to the consolidated financial statements. There are no differences compared with the Parent Company's transactions.

M. Right-of-use asset

Under IFRS 16, the Parent Company's registered office has been recognised as a right-of-use asset and the carrying amounts of right-of-use assets and the movements during the year are set out below:

(In USD)	Land & buildings
31 December 2020	**322,943**
Depreciation	(37,158)
Foreign exchange difference	(2,616)
31 December 2021	**283,169**
Depreciation	(33,472)
31 December 2022	**249,697**

N. Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the year:

(In USD)	
31 December 2020	**348,892**
Interest expense	26,079
Payments	(51,623)
Foreign exchange difference	(7,124)
31 December 2021	**316,224**
Interest expense	21,369
Payments	(50,169)
31 December 2022	**287,424**

Of this amount, $48,889 is recognised as a current liability (year ended 31 December 2021: $31,506) and the remainder $238,535 is shown within non-current liabilities (year ended 31 December 2021: $284,718).

Maturity analysis of lease liabilities displaying lease liabilities at their contractual undiscounted values.

As at 31 December 2022 (In USD)	Within 30 days	30 days to 6 months	6 to 12 months	Over 12 months
Lease liabilities	-	24,516	24,516	281,932

As at 31 December 2021 (In USD)	Within 30 days	30 days to 6 months	6 to 12 months	Over 12 months
Lease liabilities	-	26,147	24,021	330,964

O. Borrowings and Derivative Liability

The movements in the QRC convertible debt and its embedded derivative liability are as detailed in notes 6 c) and 6 d) to the consolidated financial statements.

The Orion Senior Secured Debt referred to in note 6b to the consolidated financial statements is held in Jersey based Group subsidiary, Adriatic Metals Trading and Finance Limited, and is therefore not included in the Parent Company Financial Statements.

P. Deferred Consideration

The value of remaining consideration payable under the Ras Option agreement when the option and investment were ceded to Adriatic Metals Plc on 23 February 2021 from Tethyan Resource Corp was $3,436,991. After the Parent Company acquired the remaining 90% ownership stake in Ras Metals d.o.o. the liability was reduced to $1,161,269 at 31 December 2021 by cash paid and shares issued under the agreement. The liability was fair valued at 31 December 2022 as nil as detailed in note 9 to the consolidated financial statements.

Q. Commitments

Commitments relating to the Parent Company have been disclosed in note 24 to the consolidated financial statements.

The Parent Company has provided a Letter of Support to its subsidiary Adriatic Metals Holdings BIH Limited ("BIH"), confirming that it does not intend to recall intragroup payables should BIH not have the financial capability to settle them. The Parent Company will continue to support BIH in meeting its liabilities as they fall due, for a period of not less than 12 months from the date of signing of the previous financial statements.

R. Prior year adjustment

As set out in note b ii to the Parent Company Financial Statement, prior year adjustments relating to the Parent Company are as a result of the Presentation Currency change from GBP to USD effective 1 January 2022

S. Subsequent events

Subsequent events relating to the Parent Company have been disclosed in note 27 to the Consolidated Financial Statement.

Additional ASX information (unaudited)

The Company's corporate governance statement for the year ended 31 December 2022 is available on the Company's website at https://www.adriaticmetals.com/downloads/corp-governance-files-/adt-2020-06-05-cgp-v03.pdf ("Corporate Governance Manual").

This statement has been approved by the Company's Board of Directors and is current as at 30 March 2023. To the extent applicable, the Company has adopted The Corporate Governance Principles and Recommendations (4th Edition) as published by the ASX Corporate Governance Council (Principles and Recommendations).

The Company is not established in Australia but it is subject in its home jurisdiction to an equivalent law to sections 299 and 299A of the Corporations Act requiring the preparation of a directors' report that includes a review of operations and activities for the reporting period which is included in the main body of this Annual Report.

Principles of Best Practice Recommendations

In accordance with ASX Listing Rule 4.10, Adriatic Metals PLC is required to disclose the extent to which it has followed the Principles of Recommendations during the financial year. Where Adriatic Metals PLC has not followed a recommendation, this has been identified and an explanation for the departure has been given.

	Principles and recommendations	Comment
1.	**Lay solid foundations for management and oversight**	
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	The Board is ultimately accountable for the performance of the Company and provides leadership and sets the strategic objectives of the Company. It is responsible for overseeing all corporate reporting systems, remuneration frameworks, governance issues, and stakeholder communications. Decisions reserved for the Board relate to those that have a fundamental impact on the Company, such as material acquisitions and takeovers, dividends and buy backs, material profits upgrades and downgrades, and significant closures. Management is responsible for implementing Board strategy, day-to-day operational aspects, and ensuring that all risks and performance issues are brought to the Board's attention. They must operate within the risk and authorisation parameters set by the Board.
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide securityholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	The Company undertakes comprehensive reference checks prior to appointing a director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of a director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	The terms of the appointment of a Non-Executive director, or executive directors and senior executives are agreed upon and set out in writing at the time of appointment.
1.4	The company secretary of a listed entity should be accountable directly to the board, through the Chair, on all matters to do with the proper functioning of the board.	The Joint Company Secretaries report directly to the Board through the Chairman and are accessible to all directors.
1.5	A listed entity should (a) have a diversity policy which includes requirements for the board or a relevant committee of the board lo set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	The Company's Corporate Governance Plan includes a 'Diversity Policy', which provides a framework for establishing measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them. The Board set formal diversity objectives for 2021 onwards which are included as a KPI in the Company's Short Term Incentive Plan in both 2021 and 2022. Further detail on the Diversity Policy is included in the Strategic Report of the Directors.
1.6	A listed entity should (a) have and disclose a process for periodically evaluating the performance of the Board, its Committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. The Company's Corporate Governance Plan includes a section on performance evaluation practices adopted by the Company.	The Chairman reviews the performance of the Board, its Committees and individual directors to ensure that the Company continues to have a mix of skills and experience necessary for the conduct of its activities. The most recent performance evaluation of the board was performed during November and December 2022. The Company's Corporate Governance Manual includes a section on performance evaluation practices adopted by the Company.

Additional ASX information (unaudited)

	Principles and recommendations	Comment
1.7	A listed entity should (a) have and disclose a process for periodically evaluating the performance of its senior executives: and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	The Company's Corporate Governance Plan includes a section on performance evaluation practices adopted by the Company. The Chairman monitors the Board and the Board monitors the performance of any senior executives who are not Directors, including measuring actual performance against planned performance. The most recent performance evaluation of the Managing Director and CEO was performed during December 2022.
2.	**Structure of the board to add value**	
2.1	The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors: and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings: or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	'The Company's Corporate Governance Manual includes a Nomination Committee Charter, which discloses the specific responsibilities of the committee. The Company has established a formal Remuneration & Nomination committee. Refer to the Company's Annual Report for further details regarding the Remuneration & Nomination committee.
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	The Board's skills matrix is set out below. The matrix reflects the Board's objective to have an appropriate mix of industry and professional experience including skills such as leadership, governance, strategy, finance, risk, IT, HR. policy development, international business and customer relationship. Additionally, external consultants may be brought it with specialist knowledge to complement the board's matrix of skills in the event that a deficiency were to exist in required areas.
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest. position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position. association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	Those directors who are considered to be independent are specified in the Directors Report. The length of service of each of the Company's directors is included in the Directors Report.
2.4	A majority of the board of a listed entity should be independent directors.	The majority of the Company's directors are independent.
2.5	The Chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Mr. Rawlinson, who was the Chairman through the reporting year, is independent.
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	The Chairman and Company Secretaries brief and inform New Directors on all relevant aspects of the Company's operations and background. A director development program is also available to ensure that directors can enhance their skills and remain abreast of important developments.
3.	**Act ethically and responsibly**	
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	The Company's Corporate Governance Manual includes a 'Corporate Code of Conduct', which provides a framework for decisions and actions in relation to ethical conduct in employment.

Additional ASX information (unaudited)

	Principles and recommendations	Comment
4.	**Safeguard Integrity In financial reporting**	
4.1	The board of a listed entity should: (a) have an Audit Committee which: (1) has at least three members, all of whom are Non-Executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the Chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of ifs corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	The Company has established an Audit & Risk Committee. Refer to the Company's Annual Report for further details regarding the Audit & Risk Committee.
4.2	The board of a listed entity should, before it approve' the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	A declaration in accordance with these requirements has been provided by the CEO and CFO.
4.3	A listed entity that has an AGM should ensure that its external Auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	The Company seeks to ensure that its external auditors attend its AGM and are available to answer questions from security holders relevant to the audit.

	Principles and recommendations	Comment
5.	**Make timely and balanced disclosure**	
5.1	A listed entity should (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	The Company has a continuous disclosure program in place designed to ensure the compliance with ASX Listing Rule disclosure and to ensure accountability at a senior executive level for compliance and factual presentation of the Company's financial position. New and substantive investor or analyst presentations materials are released on the ASX Market Announcements Platform ahead of presentation. See Schedule 7 of the Corporate Governance Manual for further details.

6.	**Respect the rights of shareholders**	
6.1	A listed entity should provide information about itself and its governance to investors via its website.	The Company maintains information in relation to governance documents, directors and senior executives. Board and committee charters, annual reports. ASX announcements and contact details on the company's website.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	The Company encourages shareholders to attend its AGM and to send in questions prior to the AGM so that they may be responded to during the meeting. It also encourages ad hoc enquiry via email which are responded to and actively uses social media to engage with shareholders.
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Refer to commentary at Recommendation 6.2
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	The Company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Computershare Australia at www.computershare.com/au.

Additional ASX information (unaudited)

	Principles and recommendations	Comment
7.	**Recognise and manage risk**	
7.1	The board of a listed entity should: (a) have a committee or Committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a Risk Committee or Committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	The Company has established an Audit & Risk Committee. The Company's Corporate Governance Plan includes an Audit & Risk Committee Charter, which discloses the specific responsibilities of the committee. Refer to the Company's Annual Report for further details regarding the Audit & Risk Committee.
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	The Company's Corporate Governance Manual includes a risk management policy. The Company maintains a risk register as part of its risk management strategy which is periodically updated and subject to scrutiny by the Audit & Risk Committee, this was updated in the current reporting period. Where appropriate, the Audit & Risk Committee makes recommendations to the Board in respect of key operational risks and their management. Risks and the management thereof is a recurring item for deliberation at Board Meetings. Procedures are in place to ensure the Board is informed of any material breaches of the Corporate Code of Conduct.
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	The Company is currently not in compliance with this recommendation as it does not maintain a separate internal audit function as the Board considers the Company is not currently of the relevant size or complexity to warrant the formation of a formal internal audit function. The Board, as a whole, evaluates and continually strives for improvement in the effectiveness of risk management and internal control processes. The Audit & Risk Committee receives the report from the Company's external auditors which includes an assessment of internal controls. In the event that weaknesses in internal control processes are identified these matters are brought to the attention of and dealt with by the Board.
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Refer to the Company's Annual Report for disclosures relating to the company's material business risks, in particular the Principal Risks and Uncertainties section. Refer to commentary at Recommendations 7.1 and 7.2 for information on the company's risk management framework.
8.	**Remunerate fairly and responsibly**	
8.1	The board of a listed entity should: (a) have a Remuneration & Nomination Committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	The Company has established a Remuneration & Nomination Committee. The Company's Corporate Governance Plan includes a Remuneration & Nomination Committee Charter, which discloses the specific responsibilities of the Remuneration Committee. Refer to the Company's Annual Report for further details regarding the Remuneration & Nomination Committee.

Additional ASX information (unaudited)

	Principles and recommendations	Comment
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of Non-Executive directors and the remuneration of executive directors and other senior executives.	Refer to the Remuneration & Nomination Committee Report in the Company's Annual Report.
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	The Company does not have formal policy on whether participants in the equity-based remuneration scheme are permitted to enter into transactions which limit the economic risk of participating in the scheme. However, no such transactions have been entered into by scheme participants and such transactions may only be enter into with the prior approval of the Company as noted in Schedule 4 Remuneration Committee Charter of the Corporate Governance Manual.

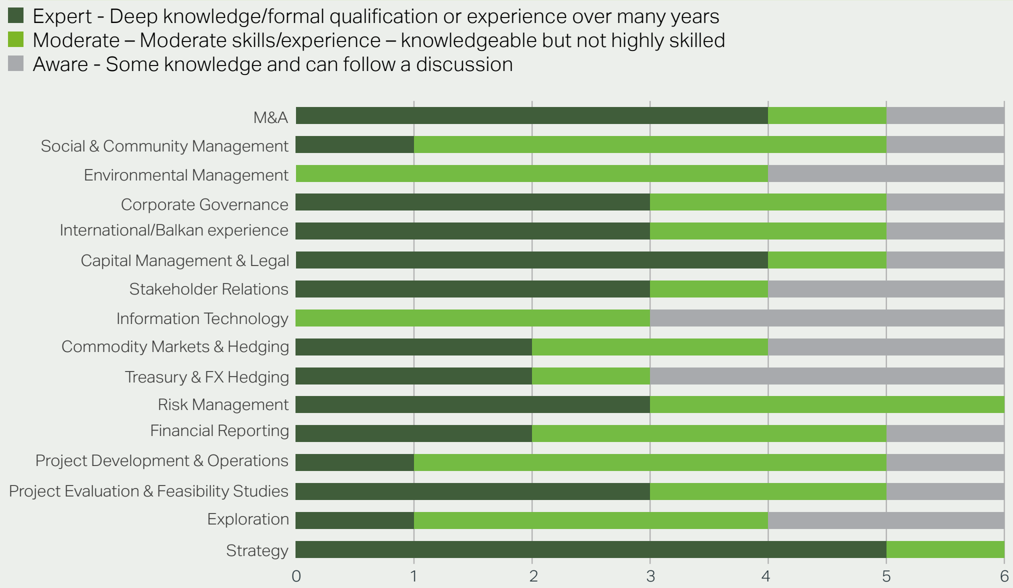
Board skills matrix

Michael Rawlinson	Peter Bilbe	Sandra Bates
B. Economics. Master of Science	B. Engineering Mining	B.Com & LLB
Investment banking	Mining Engineer	Corporate Law
Resources	Gold, Base Metals	Corporate Finance
Mining Finance	Operational experience	M&A
NED – LSE, ASX	NED - ASX	Resources focus
		NED – ASX, LSE, AIM

Paul Cronin - CEO	Sanela Karic	Julian Barnes
B.Com & MBA	LLB	BSC (Hons), PhD
Resource Finance	Bosnian Law	Geologist
CEO experience	Corporate affairs	Exploration & development
M&A	M&A	Balkan experience
Exec & NED ASX, LSE, TSX	Human Resources	Project generation & DD
	NED – LSE	NED – TSX, LSE, ASX

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

Adriatic Board Skills Matrix Self Assessment Dec-22



Additional ASX information (unaudited)

Shareholdings

At the time of publishing this Annual Report there is no on-market buy-back.

Substantial shareholdings

The Directors are aware of the Company's top 20 shareholders as follows at 8 March 2023, being the latest practical date for inclusion in this Annual Report:

Rank	Name	Number of ordinary shares	Percentage of issued share capital
1	CITICORP NOMINEES PTY LIMITED	54,237,802	19.80
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	30,213,206	11.03
3	WARBONT NOMINEES PTY LTD	24,335,779	8.89
4	BNP PARIBAS NOMS PTY LTD	20,410,568	7.45
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,480,746	6.02
6	MR MILOS BOSNJAKOVIC	12,000,000	4.38
7	BNP PARIBAS NOMINEES PTY LTD	9,442,777	3.45
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,325,769	2.67
9	GLAMOUR DIVISION PTY LTD	6,501,613	2.37
10	EUROCLEAR NOMINEES LIMITED	5,637,963	2.06
11	NORTRUST NOMINEES LIMITED	5,200,045	1.90
12	ABADI INVESTMENTS PTY LTD	5,000,000	1.83
13	CHASE NOMINEES LIMITED	3,979,029	1.45
14	BNY (OCS) NOMINEES LIMITED	3,687,505	1.35
15	NINCRO PTY LTD	3,000,000	1.10
16	MR ALBERTO LAVANDEIRA ADAN	2,666,664	0.97
17	BNY (OCS) NOMINEES LIMITED	2,634,190	0.96
18	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	2,570,787	0.94
19	INTERACTIVE BROKERS LLC	2,298,631	0.84
20	BBHISL NOMINEES LIMITED	2,153,577	0.79
Totals: Top 20 holders		**219,776,651**	**80.25%**
Total Remaining Holders Balance		**273,863,593**	**19.75%**

At 8 March 2023 the Directors are aware of five shareholders who held a substantial shareholding within the meaning of the Australian Corporations Act as outlined in the top 20 listing above. A person has a substantial holding if the total votes that they or their associates have relevant interests in is five per cent of more of the total number of votes.

Distribution of Ordinary Shares at 8 March 2023

Range	Number of shareholders	Number of ordinary shares	Percentage of issued share capital
1 - 1,000	868	377,316	0.14
1,001 - 5,000	689	1,855,496	0.68
5,001 - 10,000	233	1,806,537	0.66
10,001 - 100,000	322	10,268,168	3.75
100,001 Over	111	259,556,076	94.78
Total	**2,223**	**273,863,593**	**100.00**

Unmarketable Parcel

	Minimum Parcel Size Shares	Number of shareholders	Total Shares
ASX Minimum trade parcel AUD$500.00 parcel at AUD$2.18 per share	230	255	21,150

Substantial Option and Performance Rights Holders

Total number of options, performance rights and warrants as at 8 March 2023 as follows:

Instrument	Securities in issue	Number of security holders
Share Options	4,141,100	11
Performance Rights	731,127	15
Warrants	2,651,020	18
Total	**7,523,247**	**44**

The only substantial individual holding is the 4,000,000 share options with an exercise price of A$0.20 held by Eric Di Mori former Director which were granted on 27 April 2018 and expire on 1 July 2023.

Restricted securities

There were no restricted securities or securities subject to voluntary escrow at 31 December 2022.

Additional ASX information (unaudited)

Tenement holdings

The Company's tenements at 8 March 2023 are set out in the table below. The Company holds a 100% interest in all concession agreements and licences via its wholly owned subsidiaries with the exception of the Raska (Suva Ruda) licence held by Deep Research d.o.o.. The Company has an option agreement to acquire 100% ownership of Deep Research d.o.o. but has no equity interest in that entity at present.

	Concession document	Registration number	Licence holder	Concession name	Area (km²)	Date granted	Expiry date
Bosnia and Herzegovina	Concession Agreement	No.:04-18-21389-1/13	Eastern Mining d.o.o.	Veovaca1	1.08	12-Mar-13	12-Mar-38
				Veovaca 2	0.91	12-Mar-13	12-Mar-38
				Rupice-Jurasevac, Brestic	0.83	12-Mar-13	12-Mar-38
	Annex 3 & 6 Area	No.: 04-18-21389-3/18	Eastern Mining d.o.o.	Rupice - Borovica	4.52	14-Nov-18	12-Mar-33
	Extension			Veovaca - Orti - Seliste - Mekuse	1.32	14-Nov-18	12-Mar-33
	Annex 5 – Area	No: 04-18-14461-1/20	Eastern Mining d.o.o.	Orti-Selište-Mekuše- Barice- Smajlova Suma-Macak	19.33	3-Dec-20	3-Dec-50
	Extension			Droskovac - Brezik	2.88	3-Dec-20	3-Dec-50
	Extension			Borovica – Semizova Ponikva	9.91	3-Dec-20	3-Dec-50
	Concession Agreement	No: 04-14-5359-3/22	Eastern Mining d.o.o.	Saski Do	1.28	19-Jul-22	19-Jul-25
Serbia	Exploration Licence	310-02-1721/2018-02	Adriatic Metals d.o.o.	Kizevak	1.84	3-Oct-19	16-Oct-22 (pending)*
	Exploration Licence	310-02-1722/2018-02	Adriatic Metals d.o.o.	Sastavci	1.44	7-Oct-19	16-Oct-22 (pending)*
	Exploration Licence	310-02-1114/2015-02	Adriatic Metals d.o.o.	Kremice	8.54	21-Apr-16	26-Jul-22 (pending)*
	Exploration Licence	310-02-00060/2015-02	Deep Research d.o.o.	Rudno Polje Raska	81.39	28-Dec-15	24-Oct-24**
	Exploration Licence	310-02-01670/2021-02	Adriatic Metals d.o.o.	Kaznovice	37.1	11-Oct-21	22-Nov-24

* There concessions are pending renewal, applications for extension have been submitted, the Company is awaiting to receive confirmation of extensions from authorities.

**Possible to get a 1 year extension, but only for preparation of reserves elaborate which excludes any geological exploration work.

Additional ASX information (unaudited)

Chapters 6, 6A, 6B and 6C of the Corporations Act

As the company is incorporated in England and Wales, chapters 6, 6A, 6B and 6C of the Corporations Act dealing with the acquisition of shares (i.e. substantial holdings and takeovers) do not apply to the Company. In the United Kingdom, the City Code on Takeovers and Mergers (City Code) regulates takeovers and substantial shareholders and the Company is subject to the City Code.

Voting rights

The Company is incorporated under the legal jurisdiction of England and Wales. To enable the Company to have their securities cleared and settled electronically through CHESS, Depositary Instruments called CHESS Depositary Interests (CDIs) are issued. Each CDI represents one underlying ordinary share in the Company (Share). The main difference between holding CDIs and Shares is that CDI holders hold the beneficial ownership in the Shares instead of legal title. CHESS Depositary Nominees Pty Limited (CDN), a subsidiary of ASX, holds the legal title to the underlying Shares.

Pursuant to the ASX Settlement Operating Rules, CDI holders receive all of the economic benefits of actual ownership of the underlying Shares. CDIs are traded in a manner similar to shares of Australian companies listed on ASX.

CDIs will be held in uncertificated form and settled/transferred through CHESS. No share certificates will be issued to CDI holders. Each CDI is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

All substantive resolutions at a meeting of security holders are decided by poll rather than by a show of hands.

If holders of CDIs wish to attend and vote at the Company's general meetings, they will be able to do so. Under the ASX Listing Rules and the ASX Settlement Operating Rules, the Company as an issuer of CDIs must allow CDI holders to attend any meeting of the holders of Shares unless relevant English law at the time of the meeting prevents CDI holders from attending those meetings.

In order to vote at such meetings, CDI holders have the following options:

a. instructing CDN, as the legal owner, to vote the Shares underlying their CDIs in a particular manner. A voting instruction form will be sent to CDI holders with the notice of meeting or proxy statement for the meeting and this must be completed and returned to the Company's Share Registry prior to the meeting; or

b. informing the Company that they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to their Shares underlying the CDIs for the purposes of attending and voting at the general meeting; or

c. converting their CDIs into a holding of Shares and voting these at the meeting (however, if thereafter the former CDI holder wishes to sell their investment on ASX it would be necessary to convert the Shares back to CDIs). In order to vote in person, the conversion must be completed prior to the record date for the meeting. See above for further information regarding the conversion process.

As holders of CDIs will not appear on the Company's share register as the legal holders of the Shares, they will not be entitled to vote at Shareholder meetings unless one of the above steps is undertaken.

As each CDI represents one Share, a CDI Holder will be entitled to one vote for every CDI they hold.

Proxy forms, CDI voting instruction forms, and details of these alternatives will be included in each notice of meeting sent to CDI holders by the Company.

These voting rights exist only under the ASX Settlement Operating Rules, rather than under British Columbia Law. Since CDN is the legal holder of the applicable Shares and the holders of CDIs are not themselves the legal holder of their applicable Shares, the holders of CDIs do not have any directly enforceable rights under the Company’s articles of association.

As holders of CDIs will not appear on our share register as the legal holders of shares of ordinary shares, they will not be entitled to vote at our shareholder meetings unless one of the above steps is undertaken.

Adriatic Metals

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