



ADRIATIC METALS PLC AND SUBSIDIARY UNDERTAKINGS
UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

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CORPORATE INFORMATION

DIRECTORS

P Bilbe (Non-Executive Chairman)
J Barnes (Non-Executive Director)
M Rawlinson (Non-Executive Director)
S Bates (Non-Executive Director)
J Richards (Non-Executive Director)
P Cronin (Managing Director & CEO)
M Bosnjakovic (Executive Director)

COMPANY SECRETARY

G Eyre (Joint)
G Chiappini (Joint)

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UK SOLICITORS

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AUSTRALIAN SOLICITORS

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STOCK EXCHANGE LISTINGS

ASX:ADT
LON:ADT1

DIRECTORS REPORT

The directors have pleasure in presenting their report and the consolidated interim financial statements of the Group for the six months ended 31 December 2019 (the "Period"). The consolidated interim financial statements comprise the financial statements of Adriatic Metals PLC, (the "Company"), and its subsidiary undertakings.

DIRECTORS

The directors who held office during the Period were as follows:

P Cronin
E De Mori (resigned 8 October 2019)
P Bilbe
J Barnes
M Bosnjakovic
M Rawlinson
S Bates (appointed 11 November 2019)
J Richards (appointed 11 November 2019)

Additionally, Paul Cronin was appointed as Managing Director & CEO on 18 September 2019.

INTRODUCTION

Adriatic Metals PLC is a precious and base metals explorer and developer listed on both the London and Australian Stock Exchanges and holds a 100% interest in the world class Vares Project (the "Project") in Bosnia & Herzegovina. The Project comprises a historic open cut mine at Veovaca and brownfield exploration at Rupice, an advanced proximal deposit which exhibits exceptionally high grades of base and precious metals.

Adriatic has attracted a world class team to both expedite its exploration efforts to expand the current JORC resource at the high-grade Rupice deposit and to rapidly advance the Project into the development phase utilising its first mover advantage and strategic position in Bosnia.

Substantial progress has been made in the advancement of the Project during the Period, the key highlights of which are set out in the following sections.

MAIDEN MINERAL RESOURCE: RUPICE

The Company announced a Maiden Mineral Resource on 23 July 2019 which confirmed Rupice as Bosnia's highest-grade polymetallic deposit with significant silver and gold credits, with 80% of the Mineral Resource in the Indicated Resource category the Mineral Resource estimate for Rupice is as follows:

JORC Classification	Tonnes Mt	Zn %	Pb %	Ag g/t	Au g/t	Cu %	BaSO4 %
Indicated	7.5	5.7	3.7	207	2.0	0.6	34
Inferred	1.9	2.5	1.6	86	0.9	0.3	18
Total	9.4	5.1	3.3	183	1.8	0.6	31

Metallurgical test-work also confirmed excellent metallurgical recoveries and concentrate grades from representative samples collected across the Rupice and Veovaca deposits.

SCOPING STUDY

Building on the Maiden Resource Estimate noted above, on 19 November 2019 the Company announced the results of a Scoping Study (the "Study") on its wholly owned Vares Project in Bosnia and Herzegovina.

This Study assessed the potential viability of running an underground mining operation at Rupice to recover on average 715,000t per annum for 10 years followed by an open pit operation at Veovaca at

an annual average rate of 679,000t per annum for seven years.

The key financial benchmark numbers from the Study were as follows:

Post Tax NPV_s	US\$ 916.6 million
Post Tax IRR	107.4%
Post Construction Payback	8 Months
LoM Capital Expenditure*	US\$ 178.4 million
Operating Costs	US\$ 56.67 / tonne

*Including 30% contingency

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

EXPLORATION RESULTS

During the Period drilling to the north in the extended Rupice Licence area continued to intersect mineralisation, which remains open down-plunge to the north. Most northerly hole BR-17-19 returned best intersection in the Rupice North licence extension area returning:

- 38m @ 6.2% Zn, 3.8% Pb, 174g/t Ag, 1.9g/t Au, 0.4% Cu, 33% BaSO₄ from 208m, including:
 - 12m @ 13.2% Zn, 7.8% Pb, 154g/t Ag, 2.4g/t Au, 0.6% Cu, and
- 20m @ 2.0% Zn, 2.8% Pb, 96g/t Ag, 0.3g/t Au and 0.6% Cu from 254m.

Drilling intercepts also demonstrated that Rupice continues to expand with high grade precious metal intercepts and first intercepts at Jurasevac-Brestic.

The highest gold and silver grades in northern extension area with BR-22-19 returning an interval of:

- 6m @ 11.3g/t Au, 1,019g/t Ag, 13.1% Zn, 12.5% Pb, and 1.3% Cu from 238m

Additionally, the most northerly hole BR-25-19 confirmed further and open extensions of the Rupice mineralisation intersecting two thick zones of mineralisation which returned:

- 14m at 0.33g/t Au, 130g/t Ag, 1.6% Zn, 1.4% Pb, and 0.2% Cu from 246m, and
- 26m at 0.11g/t Au, 18g/t Ag, 0.7% Zn, 0.6% Pb, and 0.3% Cu from 302m.

BR-27-19 and BR-41-19 which extends the southerly continuation of the Rupice mineralisation returning:

- 48m @ 0.72g/t Au, 70g/t Ag, 2.3% Zn, 2.0% Pb, 0.6% Cu and 58% BaSO₄ from 240m including intervals of:
 - 4m @ 1.69g/t Au, 175g/t Ag, 6.5% Zn, 4.6% Pb, 0.5% Cu, and 48% BaSO₄ and
 - 26m @ 79% BaSO₄. (BR-27-19).
- 10m @ 0.51g/t Au, 58g/t Ag, 3.5% Zn, 3.6% Pb and 0.6% Cu from 248m including intervals of:
 - 4m @ 0.70g/t Au, 86g/t Ag, 6.4% Zn, 5.9% Pb and 0.7% Cu, and
 - 12m @ 1.15g/t Au, 253g/t Ag, 3.0% Zn, 1.8% Pb, 0.5% Cu and 56% BaSO₄ from 262m (BR-41-19).

In December 2019 the Company also announced drill hole BR-43-19, which was the deepest drill hole to date in the southern extensions of the Rupice mineralisation, may represent another substantial thickening of the Rupice mineralisation as it extends to the south into untested ground returning:

- 16m @ 1.96g/t Au, 350g/t Ag, 5.3% Zn, 3.4% Pb, 0.5% Cu and 47% BaSO₄ from 330m including:
 - 10m @ 2.83g/t Au, 536g/t Ag, 7.4% Zn, 4.8% Pb, 0.5% Cu and 60% BaSO₄

This high-grade intercept 60m east of known mineralization at Rupice South together with drill holes BR-27-19, BR-37-19 and BR-43-19 extends the mineralisation some 200m down-dip and outside of the

current ore block model. The mineralisation remains open down dip and to the south.

COMPLETION OF INSTITUTIONAL PLACEMENT

On 30 October 2019 the Company announced the completion of a A\$25 million Institutional Placement (the "Placement") at an issue price of A\$1.00 per share. The Placement was strongly supported by existing shareholders and also introduced a number of new, high quality global institutional investors to Adriatic's share register. Sandfire Resources NL (ASX: SFR), an existing Adriatic shareholder, also subscribed for their pro-rata interest in the placement under the terms of the 2018 Collaboration & Strategic Partnership Deed.

The company received the gross Placement funds (before costs) in the following tranches:

- A\$10,878,508 on 6 November
- A\$9,121,492 on 14 November
- A\$5,000,000 on 22 November

Pursuant to the Placement the Company issued a total of 25,000,000 new ordinary shares in the form of CHESS Depository Interests in respect of the three tranches.

Following the Placement, the Company's cash balance at 31 December 2019 was £13.9 million. The Company is now fully funded through to completion of a Bankable Feasibility Study for the Vares Project and is well positioned to aggressively expedite the exploration & development activities at the Vares Project including:

- Ongoing exploration drilling
- Completion of an Environmental Impact Assessment and permitting activities
- Completion of a Bankable Feasibility Study
- General working capital requirements

ADMISSION TO TRADING ON THE LONDON STOCK EXCHANGE

Following publication of the Company's Prospectus on 9 November 2019, the Company's ordinary shares were admitted to the Standard Segment of the Official List of the Financial Conduct Authority ("Admission") and to trading on the London Stock Exchange's Main Market ("LSE") on 12 December 2019 under the ticker "ADT1". As a result, the Company, amongst other things, became subject to the UK City Code on Takeovers and Mergers, as administered by the UK Panel on Takeovers and Mergers.

The LSE listing was completed following continued interest received by the Company from investors in the United Kingdom and Europe and, given the location of the Company's assets, it believes that these markets have the potential to provide support to Adriatic as it continues to progress the Vares Project.

Adriatic has, and will continue to, retain its existing ASX listing which remains the primary trading exchange in the Company's shares.

RISK FACTORS

As with any company, there are a number of risk factors relating to the business. Adriatic is a mineral exploration and development company and success in this process involves, amongst other things, the following:

- discovery and proving-up, or acquiring, an economically recoverable resource or reserve;
- access to adequate capital throughout the acquisition/discovery and project development phases;
- securing and maintaining title to mineral exploration projects;
- obtaining required development consents and approvals necessary for the acquisition, mineral exploration, development and production phases; and
- accessing the necessary experienced operational staff, the applicable financial management and recruiting skilled contractors, consultants and employees.

There can be no assurance that 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.

Risks and uncertainties relating to Bosnia and Herzegovina where the Vares Project is located include,

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

Further details of the risk factors relating to the company can be found in Part II of the Company's LSE Listing Prospectus on the Company's website: www.adriaticmetals.com

OUTLOOK

The Company continues to make progress towards the completion of the Preliminary Feasibility Study for the Vares Project and securing the Veovaca exploitation permit both of which are targeted for completion by 30 June 2020.

The Environmental and Social Impact Assessment for Bankable Feasibility Study is ongoing as is regional exploration and drilling to expand the existing resource base for inclusion in an updated resource estimate to be included in the Preliminary Feasibility Study.

The Company also intends to have completed the Bankable Feasibility Study and secured the exploitation permit for Rupice by the end of calendar year 2020.

Signed on behalf of the directors

"Paul Cronin" (Signed)

Mr P Cronin
Managing Director & CEO

Approved by the board of directors on 10th March 2020

COMPETENT PERSONS REPORT

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

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	6 Months Ended 31 December 2019 £	6 Months Ended 31 December 2018 £
Administrative expenses	3	(3,582,837)	(717,663)
Operating Loss		<u>(3,582,837)</u>	<u>(717,663)</u>
Finance costs	4	(265,222)	(139,900)
Finance income		25,301	9,713
Loss before tax		<u>(3,822,758)</u>	<u>(847,850)</u>
Tax		-	-
Loss after tax		<u>(3,822,758)</u>	<u>(847,850)</u>
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods net of tax			
Foreign currency translation (loss)/income		(264,684)	26,572
Total comprehensive loss for the period		<u>(4,087,442)</u>	<u>(821,278)</u>

All the activities of the group are classified as continuing operations.

ADRIATIC METALS PLC
CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		31 December 2019 £	30 June 2019 £
NON-CURRENT ASSETS			
Intangible assets	5	5,989,161	3,971,210
Property, plant and equipment		854,259	721,128
Right of use of asset		263,720	-
		<u>7,107,140</u>	<u>4,692,338</u>
CURRENT ASSETS			
Trade and other receivables		600,340	361,724
Cash and cash equivalents	6	13,893,584	5,369,759
		<u>14,493,924</u>	<u>5,731,483</u>
TOTAL ASSETS		<u>21,601,064</u>	<u>10,423,821</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	8	2,374,732	2,013,701
Share premium	8	23,793,491	11,084,777
Other capital reserves		3,332,939	1,714,826
Other reserves		(190,442)	74,242
Accumulated loss		(8,461,415)	(4,638,657)
TOTAL EQUITY		<u>20,849,305</u>	<u>10,248,889</u>
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	7	241,607	-
CURRENT LIABILITIES			
Trade and other payables		489,494	174,932
Interest-bearing loans and borrowings	7	20,658	-
		<u>510,152</u>	<u>174,932</u>
TOTAL EQUITY AND LIABILITIES		<u>21,601,064</u>	<u>10,423,821</u>

The notes on pages 10 to 16 form part of these financial statements.

These interim financial statements were approved by the board and were signed on its behalf by:

"Paul Cronin" (Signed)

Mr P Cronin
 Director

Date: 10th March 2020

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share Capital £	Share Premium £	Other capital reserve £	Foreign currency translation reserve £	Accumulated loss £	Total £
As at 1 July 2018	1,733,042	5,515,049	1,282,365	31,367	(2,221,004)	6,340,819
Loss for the period	-	-	-	-	(847,850)	(847,850)
Issue of share capital	260,853	5,504,787	-	-	-	5,765,640
Other comprehensive income	-	-	-	26,572	-	26,572
As at 31 December 2018	<u>1,993,895</u>	<u>11,019,836</u>	<u>1,282,365</u>	<u>57,939</u>	<u>(3,068,854)</u>	<u>11,285,181</u>
As at 1 July 2019	2,013,701	11,084,777	1,714,826	74,242	(4,638,657)	10,248,889
Loss for the period	-	-	-	-	(3,822,758)	(3,822,758)
Issue of share capital	334,989	12,173,302	-	-	-	12,508,291
Exercise of Options	26,042	535,412	(151,634)	-	-	409,820
Issue of options	-	-	1,769,747	-	-	1,769,747
Other comprehensive loss	-	-	-	(264,684)	-	(264,684)
As at 31 December 2019	<u>2,374,732</u>	<u>23,793,491</u>	<u>3,332,939</u>	<u>(190,442)</u>	<u>(8,461,415)</u>	<u>20,849,305</u>

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	6 Months Ended 31 December 2019 £	6 Months Ended 31 December 2018 £
Loss for the period	(3,822,758)	(847,850)
Unrealized foreign exchange loss	202,643	18,244
Depreciation and amortisation	67,045	7,189
Share based payments expense	1,769,747	-
Increase in trade and other receivables	(242,549)	(176,790)
Increase in trade payables and other payables	318,494	49,081
Net cash used in operating activities	<u>(1,707,378)</u>	<u>(950,126)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(147,243)	(1,698,551)
Purchase of intangible assets	(2,351,157)	-
Net cash flows used in investing activities	<u>(2,498,400)</u>	<u>(1,698,551)</u>
Cash flows from financing activities		
Proceeds from issue of shares	12,918,111	5,765,640
Repayment of finance leases	(3,347)	-
Net cash flows generated from financing activities	<u>12,914,764</u>	<u>5,765,640</u>
Net increase in cash and cash equivalents	8,708,986	3,116,963
Cash and cash equivalents at beginning of period	5,369,759	4,644,389
Effect of foreign exchange rate changes	(185,161)	-
Cash and cash equivalents at end of period	<u>13,893,584</u>	<u>7,761,352</u>

ADRIATIC METALS PLC
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

1. CORPORATE INFORMATION

The consolidated interim financial statements present the financial information of Adriatic Metals PLC and its wholly owned subsidiary Eastern Mining d.o.o. (collectively, the Group) for the six months period ended 31 December 2019. Adriatic Metals PLC (the Company or the Parent) is a public limited company incorporated in England & Wales. The registered office is located at Ground Floor, Regent House, 65 Rodney Road, Cheltenham, GL50 1HX.

The Group is principally engaged in the exploration for metals for future mining activity.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated interim financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs").

The consolidated interim financial statements have been prepared on a historical cost basis.

A comprehensive summary of the principal accounting policies adopted by the Group is presented in the statutory financial statements for the year ended 30 June 2019. A number of the significant accounting policies have been repeated below due to their importance in relation to the interim financial statements.

The consolidated interim financial statements are presented in British Pounds (£) rounded to the nearest pound.

Going concern

The Group incurred a loss of £3,822,758 (31 December 2018: £847,850) in the Period however the Group also had a net asset position at the balance sheet date.

The financial statements have been prepared on the going concern basis as the directors have considered the future plans for the company and expect it to operate without any financial constraints for the next twelve months.

If the Company and Group are unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of the assets to their recoverable amounts, provide for further liabilities that might arise, and reclassify non-current assets and liabilities to current.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into GBP (£) at the rate of exchange prevailing at the reporting date and their income statements are translated at average exchange rates prevailing during the period. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

Exploration and Evaluation Expenditure

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 period in which they are incurred.

2. ACCOUNTING POLICIES (continued)

Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analysing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the Group concludes that a future economic benefit is more likely than not to be realised. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalised, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Exploration and evaluation expenditure incurred on licences where a JORC-compliant resource has not yet been established is expensed as incurred until sufficient evaluation has occurred in order to establish a JORC-compliant resource.

Costs expensed during this phase are included in '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 particular 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.

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.

They are subsequently measured at cost less accumulated impairment. Once JORC-compliant reserves are established and development is sanctioned, exploration and evaluation assets are tested for impairment and transferred to 'Mines under construction' which is a sub-category of 'Mine properties'. No amortisation is charged during the exploration and evaluation phase.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

2. ACCOUNTING POLICIES (continued)

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit and loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in the income statement as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Amortisation is calculated on a straight-line at the following rates per each category of asset:

Patents & Licences – 5%

Leases

The Group has applied IFRS 16 for the first time in this period. There have been no adjustments to prior periods as a result of the application of this standard.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets:

- Land and buildings 10 years

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.

ii) Lease liabilities

ADRIATIC METALS PLC
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (continued)

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.

The Group's lease liabilities are included in Interest-bearing loans and borrowings.

3. ADMINISTRATIVE EXPENSES

	6 Months Ended 31 December 2019 £	6 Months Ended 31 December 2018 £
Wages and salaries	142,051	144,457
Share based payments	1,769,747	-
Consultancy fees	667,869	298,676
Depreciation	67,045	3,836
Other	936,125	270,694
	<u>3,582,837</u>	<u>717,663</u>

Administration expenses include the following transactions with key management personnel:

	6 Months Ended 31 December 2019 £	6 Months Ended 31 December 2018 £
Consultancy fees	384,481	160,187
Directors fees	97,507	85,635
Share based payments	1,736,177	-
Other fees	29,456	26,058
Corporate office facilities and services	27,369	30,000
	<u>2,274,990</u>	<u>301,880</u>

ADRIATIC METALS PLC
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

4. FINANCE COSTS

	6 Months Ended 31 December 2019 £	6 Months Ended 31 December 2018 £
Foreign exchange loss	261,981	139,900
Financing costs of right of use of assets	1,718	-
Other	1,523	-
	<u>265,222</u>	<u>139,900</u>

5. INTANGIBLE ASSETS

	31 December 2019 £	30 June 2019 £
Cost		
Exploration and evaluation assets	5,614,578	3,529,669
Patents and licences	510,411	526,328
	<u>6,124,989</u>	<u>4,055,997</u>
Amortisation and impairment		
Exploration and evaluation assets	-	-
Patents and licences	135,828	84,787
	<u>135,828</u>	<u>84,787</u>
Net Book Value	<u>5,989,161</u>	<u>3,971,210</u>

6. CASH AND CASH EQUIVALENTS

	31 December 2019 £	30 June 2019 £
Cash at bank	13,893,133	5,366,266
Petty cash	451	3,493
	<u>13,893,584</u>	<u>5,369,759</u>

Cash and cash equivalents were held in the following denominations:

AUD	13,436,559	4,972,375
EUR	347,283	57,077
GBP	42,816	67,819
BAM	39,926	272,488
	<u>13,893,584</u>	<u>5,369,759</u>

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7. INTEREST-BEARING LOANS AND BORROWINGS

	31 December 2019	30 June 2019
	£	£
Due within one year:		
Lease liability	20,658	-
Due after more than one year:		
Lease liability	241,607	-

8. SHARE CAPITAL

	31 December 2019	30 June 2019
	£	£
Issued capital and share premium		
Ordinary shares fully paid up	26,168,223	13,098,478

	6 Months Ended 31 December 2019	Year Ended 30 June 2019
	£	£
Movement in ordinary shares		
At the beginning of the reporting period	13,098,478	7,248,091
Shares issued during the period	13,352,816	6,227,706
Transaction costs on shares issue	(862,650)	(466,792)
Share options exercised	579,579	89,473
At reporting date	26,168,223	13,098,478

		6 Months Ended 31 December 2019	Year Ended 30 June 2019
		Number	Number
Movement in number of ordinary shares in issue			
Shares at the start of reporting period	Issue Price per share	150,782,587	130,795,596
Institutional Placement:			
20 November 2018	A\$0.55	-	19,686,991
Exercise of Options:			
1 April 2019	A\$0.40		300,000
9 August 2019	A\$0.40	500,000	-
25 October 2019	A\$0.40	1,250,000	-
2 December 2019	A\$0.40	100,000	-
19 December 2019	A\$0.40	100,000	-
Exercise of Anti-dilution Rights:			
25 September 2019	A\$0.933	83,400	-
Institutional Placement:			
Tranche 1 - 6 November 2019	A\$1.00	10,878,508	-
Tranche 2 - 14 November 2019	A\$1.00	9,121,492	-
Tranche 3 - 21 November 2019	A\$1.00	5,000,000	-
Shares at end of reporting period		177,815,987	150,782,587

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9. SHARE OPTIONS

At 31 December 2019 the Company had 22,935,000 options, including 2,060,000 in the form of performance rights, outstanding for the issue of ordinary shares (30 June 2019: 18,825,000)

	Exercise Price A\$	6 Months Ended 31 December 2019 Number	Year Ended 30 June 2019 Number
Options outstanding at the start of reporting period		18,825,000	19,500,000
Options granted			
	A\$1.00	1,000,000	
	A\$1.25	3,000,000	
	A\$0.01	2,060,000	
Lapsed			(375,000)
Options exercised		(1,950,000)	(300,000)
Options outstanding at end of reporting period		<u>22,935,000</u>	<u>18,825,000</u>

10. RELATED PARTIES

Transactions between the Company and its subsidiary, which are related parties, have been eliminated on consolidation. The Group has therefore elected not to disclose transactions between the Company and its subsidiary, as permitted by IAS 24.

The Company had the following transactions with Swellcap Limited, a company controlled by Paul Cronin.

	6 Months Ended 31 December 2019 £	6 Months Ended 31 December 2018 £
Consultancy fees	113,999	18,942
Other fees	29,456	26,058
Corporate office facilities and services	27,369	30,000
	<u>170,824</u>	<u>75,000</u>
	31 December 2019 £	30 June 2018 £
Trade payables	<u>-</u>	<u>6,000</u>

The Company has no overall controlling party.

11. SUBSEQUENT EVENTS

There were no material events subsequent to the end of the reporting period.

SBA/SSN/ADR001

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Dear Sirs

Report on Review of Interim Financial Information – Adriatic Metals PLC

Introduction

We have reviewed the accompanying consolidated interim statement of financial position of Adriatic Metals PLC as of 31 December 2019 and the related statements of income and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity."

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is materially misstated, or is not prepared, in all material respects, in accordance with International Financial Reporting Standards.



Lubbock Fine

Date: 10th March 2020