

Key Facts

Company Code	ASX:ADT
Closing Price (14/5/18)	\$0.19
Date of Report	14/5/18
Company Website	www.adriaticmetals.com
Analysts	Patrick Chang

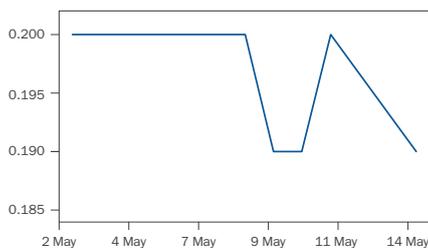
Company Statistics

12 Month High	\$0.20
12 Month Low	\$0.19
Market Cap (A\$Mil)	24.9
Issued Shares (Mil)	130.8
Issued Options (Mil)	19.0
Cash Est. (A\$Mil)	A\$10.0

Major Shareholders

	%
Management	34.4%
Sandfire	7.7%

Share Price Performance



Canaccord Colts provide research coverage on a select group of early-stage ASX-listed microcap companies that our institutional research team believes have strong development trajectories.



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Investment Highlights

Newly listed Adriatic Metals (ASX:ADT) is a base metal company with advanced exploration projects in Bosnia and Herzegovina, offering auspicious exposure to Zinc and Lead. In our view, the company's 100% owned assets are on the cusp of being able to underpin a base-case production scenario. High grades, historic production, excellent infrastructure and experienced management significantly mitigate construction, operating and permitting risks, while we see further in-mine and near mine exploration upside as a key attraction of the stock.

At a modest EV of ~A\$16m, there is considerable scope for the company to deliver upside. Near term, we see exploration results from the company's recently commenced 15,000m drill program (page 9), particularly from the high grade Rupice deposit as a potential key catalyst. Long term, progressing Feasibility Studies and permitting, pursuing regional consolidation and advancing exploration targets should further enhance Adriatic's appeal. Given the scarcity of ASX listed, quality base metal developers, we believe the company can gain rapid market traction as it advances the projects. Our positive view on the technical merits and upside appears to be affirmed by corporate interest in the stock, with Sandfire Resources (ASX:SFR, rated HOLD by Patrick Chang) emerging as a substantial shareholder following ADT's IPO.

Rupice - High grade exploration upside

Drilling results in 2017 highlighted Rupice's exceptional grades, including (downhole widths):

- 64m @ 8.4% Zn, 5.1% Pb, 2.2g/t Au, 373g/t Ag, 43.5% BaSO₄
- 30m @ 5.8% Zn, 4.1% Pb, 3.5g/t Au, 382g/t Ag, 70.9% BaSO₄
- 40m @ 8.2% Zn, 5.5% Pb, 3.5g/t Au, 479g/t Ag, 57.3% BaSO₄

A drilling program is underway, which we expect would result in the delineation of a JORC Resource.

Veovaca - Development opportunity

CSA global recently completed a JORC Resource Estimate for Veovaca based on validated historic drilling results and drilling completed by Adriatic in 2017, comprising 4.4Mt @ 2.0% Zn, 1.1% Pb, 20% BaSO₄. The Resource is estimated using a 2.0% Zn Eq cut-off. We note the lack of sampling of precious metals in a significant portion of historic drill holes. Further drilling should result in ~50-60g/t Ag credits, based on our estimate.

Potential development scenario

We envisage the company to commence a Scoping Study on Veovaca and Rupice following further drilling. Given the historic production, existing Resource and infrastructure, Veovaca is expected to comprise the bulk of the ore feed under a base-case production scenario, while Rupice would supplement higher grade 'sweetener' feed. Potentially, the future operation would utilise a new processing facility producing separate zinc, lead and barite concentrates with precious metals credit.

First mover advantage

Despite prospective geology, Bosnia has lagged neighbouring Serbia in terms of attracting foreign mining companies (Rio Tinto, Freeport-McMoRan, First Quantum, Dundee, Nevsun). ADT is one of the very few listed mining companies in Bosnia with a local management team that has significant legal expertise in the domestic mining industry, led by Milos Bosnjacovic who was formally a lawyer in the Ministry of Energy, Mining & Industry. We see the current complex regulatory environment as a key barrier to entry for foreign mining companies and Adriatic's demonstrated ability to navigate this environment is crucial to capitalise on its first mover advantage.

Overview

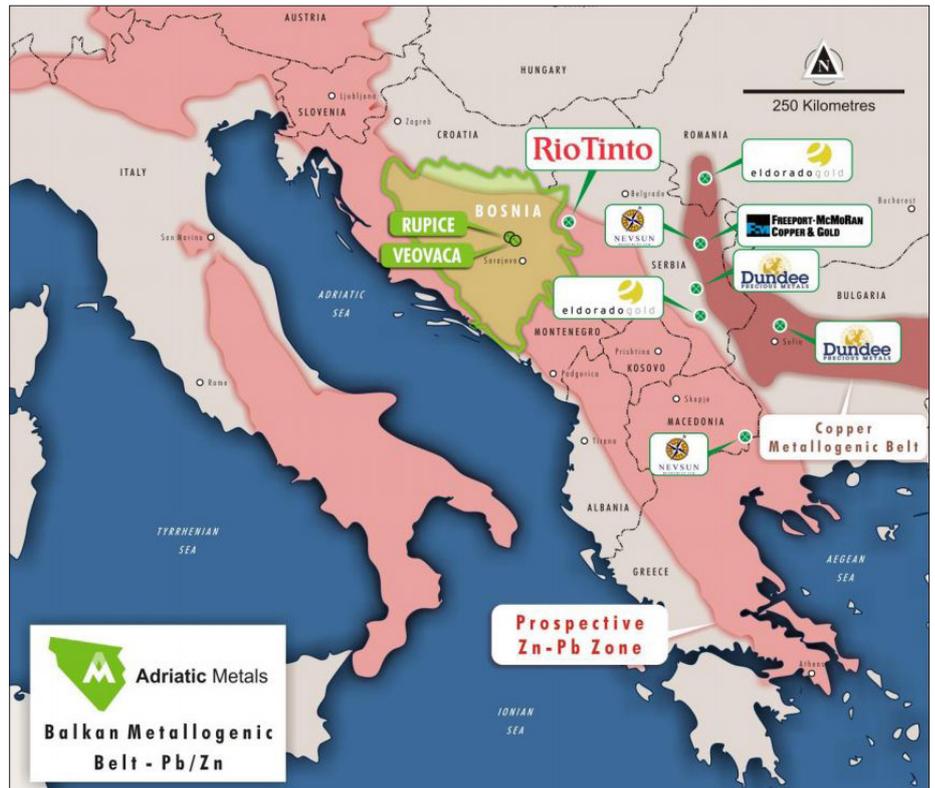
Adriatic's key asset is the Vares Polymetallic Project, comprising the Veovaca and Rupice Deposits, which is situated in Bosnia and Herzegovina and within a well-endowed base metal metallogenic belt. The projects were acquired from Balkan Mining Pty Ltd in 2017 while Adriatic was a private company. The project is located near the town of Vareš, which was a historic mining and industrial centre with infrastructure including sealed roads, grid (coal / hydro) power, heavy duty rail and blast furnaces. Exploration is considered advanced with a Mineral Resource estimated on Veovaca recently and Rupice Mineral Resource Estimate anticipated following additional drilling post IPO. The deposits are located ~17km apart and fortuitously located near key infrastructure including roads, rail, hydro power and labour. In our view, the Vares Project has the potential to underpin a base case production scenario supporting a ~500ktpa operation.

Figure 1: Project location

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Source: Company reports

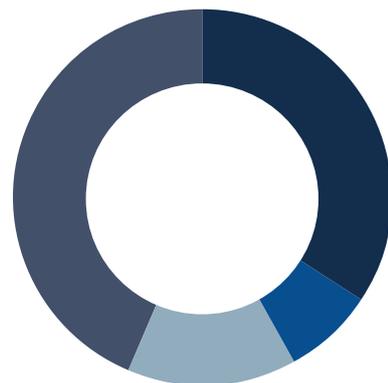
Corporate, Finance and balance sheet

Adriatic raised A\$10m during the IPO. The company is debt and hedging free.

Significant share holders

Management owns ~34.4% of the company. The company had attractive corporate interest during the IPO process which saw SFR coming onto the register as a ~7.7% substantial shareholder.

Figure 2: Shareholder breakdown



Directors and Management	34.4%
Sandfire Resources	7.7%
Institutional Investors	14.5%
Retail	43.4%

Source: Company reports

Board & Management

Peter Bilbe – Non-Executive Chairman

Mr Bilbe is a Mining Engineer with over 40 years' experience in the Australian and International mining industry at the operating, corporate and business level, experienced in all facets of open pit and underground mining and processing. Mr Bilbe has previously held senior management positions at Mount Gibson Iron, Aztec Resources Ltd, Portman Ltd, Aurora Gold Corp and Kalgoorlie Consolidated Gold Mines and is currently the Non-Executive Chairman of Independence Group NL

Geraint Harris – Chief Executive Officer

Mr Harris is a Mining Engineer with 22 years of experience in the mining industry, having worked in open pit and underground mines in Europe, the United States and South Africa, with a commodity focus on zinc/lead and precious metals. He was the manager mine services for Lisheen, which was one of the largest zinc mines in the world until its recent closure. His experience also encompasses consultancy, fund management, and project finance.

Paul Cronin – Non-Executive Director

Mr Cronin is a resource finance specialist, with significant experience in equity, debt and mergers and acquisitions within the sector. As CEO of ASX Listed Anatolia Energy, Paul oversaw two successful and oversubscribed capital raisings, steering the stock to be the best performing uranium stock globally during his time with the company, and prior to its sale at a significant premium to its market capitalization. Prior to Anatolia, Paul was Vice President at the highly regarded RMB Resources fund where he originated, structured and managed several debt and equity investments on behalf of the fund. Paul has a B.Com and an MBA.

Eric de Mori – Non-Executive Director

Mr De Mori has over 15 years experience in ASX small cap investment and corporate finance, specialising in natural resources, biotechnology and technology. Eric has a broad skill set across capital raisings, IPO and RTO's, corporate restructuring and M&A activity, including several Director and major shareholder positions with ASX listed technology and resource companies. Eric is Head of Natural Resources for Institutional stockbroker Ashanti Capital.

Julian Barnes – Non-Executive Director

Mr Barnes is a geologist with extensive experience in major exploration and development projects. Previously, he was Executive Vice President Dundee Precious Metals where he lead exploration, project acquisition, and due diligence with a strong focus on the Balkans. He founded and led Resource Service Group for nearly two decades, which ultimately became RSG Global and has since been sold to Coffey Mining.

Milos Bosnjakovic – Head of Regulatory

Milos is a dual national of Australia and Bosnia Herzegovina and was the co-founder of ASX-listed Sultan Corporation Limited which became Balamara Resources Limited, which held the Monty Zinc Project in Montenegro from 2010 to 2014. He has significant resource project experience in the region and is a qualified lawyer with extensive experience in the Former Yugoslav Republics, Australia and New Zealand.

Robert Annett – Head of Exploration

Mr Annett is an experienced geologist with extensive exposure to all aspects of the exploration, evaluation, and mining of precious and base metals, coal and industrial minerals. He is familiar with JORC 2012 classification standard, and will be responsible for the day to day management of the exploration program at Adriatic Metals

Exploration / Development timeline

Following its IPO, we anticipated Adriatic to concurrently progress:

- In-fill and extensional drilling at Rupice
- Resource evaluation work at Rupice
- A Scoping Study at Veovaca and Rupice
- Regional exploration

Figure 3: Indicative Exploration / Development timeline

	Q4-2017	Q1-2018	Q2-2018	Q3-2018	Q4-2018	Q1-2019
Historical Data Review	✓					
Veovaca & Rupice Confirmatory Drilling	✓					
Veovaca Jorc Resource		✓				
IPO Completion			✓			
Rupice Expansion Drilling			✓			
Long Lead Study Elements						
Regional Exploration						
Metallurgical Test Work						
Scoping Study Work (VV & RP)						
Rupice Maiden Resource						

Source: Company reports

Project Overview – Veovaca

Background

The presence of mineralisation was known at Veovaca and Rupice reportedly since Roman and Saxon times due to outcropping mineralisation. Prior to Adriatic, modern exploration was mainly conducted between 1967 and 1979, with ~8,000m of drilling and ~600m of underground development. During this period, exploration focused near the outcropping mineralisation and drilling were almost entirely by vertical diamond drill holes. Production commenced in 1983 for ~4 years at a rate of ~250ktpa by Energoinvest, a parastatal enterprise prior to its bankruptcy. Adriatic acquire the subsidiary (Eastern Mining) which owns the project from Balkan Mining Pty in 2017. Subsequently, the company has drilled 16 diamond holes in 2017.

Mineral Resource Estimate

CSA Global recently completed a Resource estimate based on historic drilling and ADT's 2017 drilling results. The estimate is based on a 2% Zn Eq cut-off grade and separated into areas that have been sampled for precious and areas without. Given the geometry of the deposit, amenability to open pit mining and grades, we believe a significant proportion of the Resource is expected to be converted to Ore Reserves.

Figure 4: CSA Veovaca Mineral Resource estimate

	Tonnage (Mt)	Zn (%)	Pb (%)	BaSO ⁴ (%)	Ag (g/t)	Au (g/t)	Zn (kt)	Pb (kt)	BaSO ₄ (kt)	Ag (koz)	Au (koz)
Precious sampled											
Indicated	2.3	2.1	1.3	20	64	0.1	48	29	465	4742	7
Inferred	0.4	2.1	0.6	10	28	0.1	9	2	42	370	1
Total	2.7	2.1	1.2	19	59	0.1	57	31	507	5112	8
Precious unsampled											
Indicated	1.3	1.6	1.1	20			21	14	257		
Inferred	0.5	2.1	0.9	17			9	4	79		
Total	1.7	1.7	1.1	20			18	11	210		
Project total	4.4	2.0	1.1	19	36	0.1	75	42	717	5112	8

Source: Company reports

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Geology

Veovaca is a sediment hosted deposit with high grade mineralisation hosted in a brecciated zone within a folded Jurassic / Triassic sediment package. This sediment package and the breccia zone appear to be steeply dipping to the NW. The breccia comprises predominantly fine, euhedral to sub-angular clastic sediments (siltstone and shale) with mineralisation mostly confined to the matrix of the breccia. High grade mineralisation is visual with massive texture and corresponds to a noticeable increase in density.

Figure 5: Drill core, Veovaca



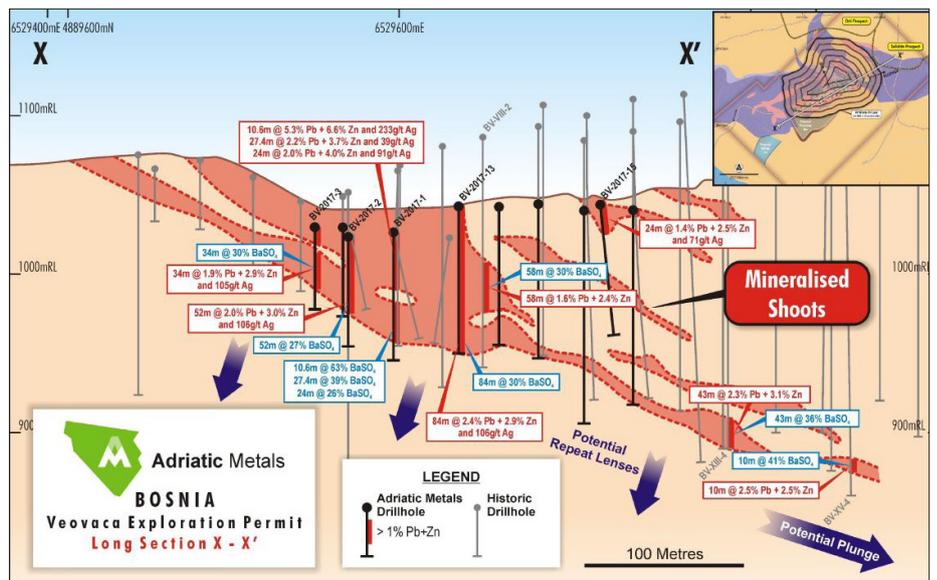
Source: Canaccord Genuity

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Mineralisation could have been subsequently remobilised into favourable structural traps following brecciation and remobilisation.

The mineralisation style was previously considered to be of SedEx origin by the Geological Institute in Bosnia. Although lamination was seen in drill cores, we believe there is limited support for this genetic model given observed texture and mineralogy.

CSA has proposed an alternative model (Besshi-style VMS), which accounts for the presence of barite, gold and copper. Mineralisation could have been subsequently remobilised into favourable structural traps following brecciation and remobilisation. Besshi-style deposits can occur in clusters and given evidence of remobilisation, we believe the exploration potential for additional mineralisation is high.

Figure 6: Long section



Source: Company reports

Figure 7: Veovaca pit floor, showing good conditions of the pit wall



Source: Company reports

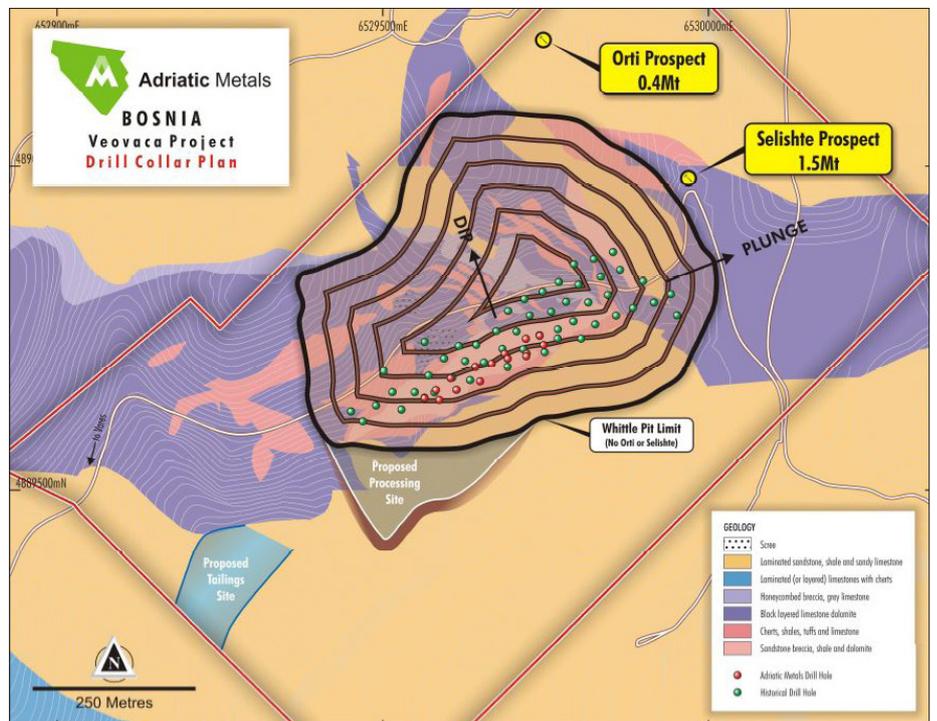
Given mineralisation remains exposed on the pit floor and the geometry of the mineralisation (see Figure 6), we believe Veovaca lends itself to a staged open cut, where initial stages will contain the bulk of the mineralisation at low stripping ratios, facilitating quick project payback and enhance IRR on the project.

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We believe Veovaca lends itself to a staged open pit.
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Potential near mine extensions

Several prospects located immediately adjacent to the proposed mine could offer immediate upside with drilling.

Figure 8: Veovaca plan view showing potential open pit and satellites



Source: Company reports

Project Overview - Rupice

Background

Historic exploration at the project include ~6,000m of drilling and ~700m of underground development by Energoinvest. There has been no recent exploitation but the area was understood to be exploited by small scale mining (mainly for barite) in late 1980s.

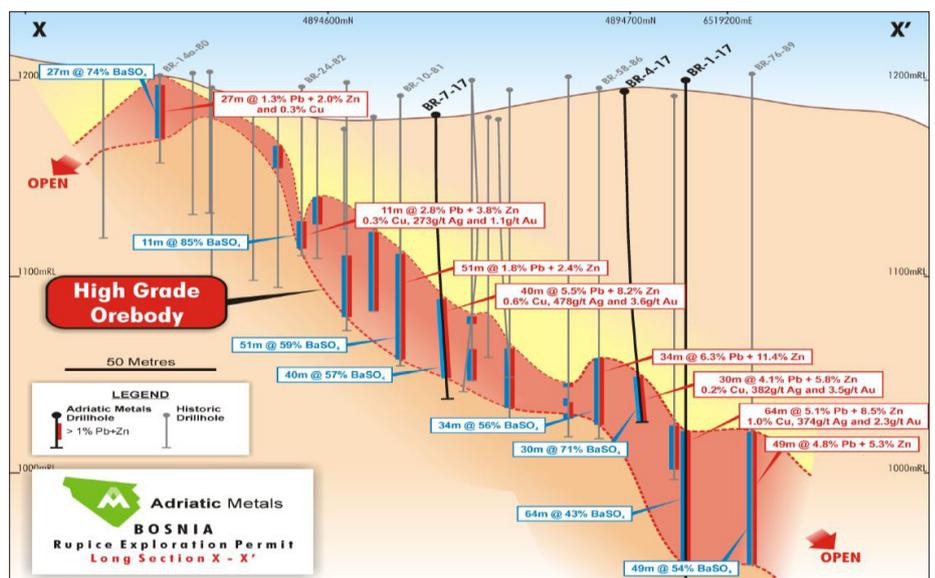
Geology

The geology appears similar to that of Veovaca, with high grade mineralisation hosted in a brecciated zone within a predominantly clastic sediment package. Key mineralogical differences when compared to Veovaca are:

- Generally higher Zn/Pb grades
- Elevated precious (gold and silver) grades
- Elevated copper
- Lower amount of stibnite and cinnabar

The deposit could potentially be bound by structures with vertical movements, and remains open down plunge.

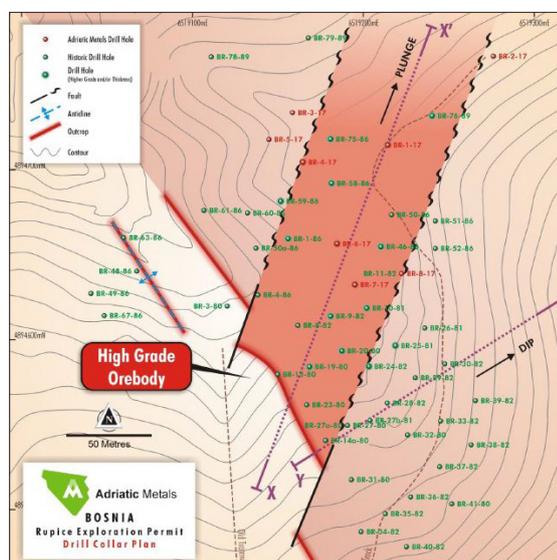
Figure 9: Rupice long section



Source: Company reports

In addition, given the mineralisation is limited by drilling at depth, we believe targeting this extension could demonstrate immediate upside. The deposit outcrops and drilling to date has been relatively shallow, with the deepest hole down to ~270m below surface.

Figure 10: Rupice plan view



Source: Company reports

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Near mine upside

Based on exploration data compiled, including old workings, sampling, drilling and geophysical data, ADT has identified several promising near mine targets, located both within and outside its current tenement areas. The targets lie within a well-defined prospective stratigraphy. In total, exploration potential is estimated at 16-20Mt, likely with additional barite and precious credits. Initially we expect exploration to focus on the Rupice Corridor which largely lies within the existing concession.

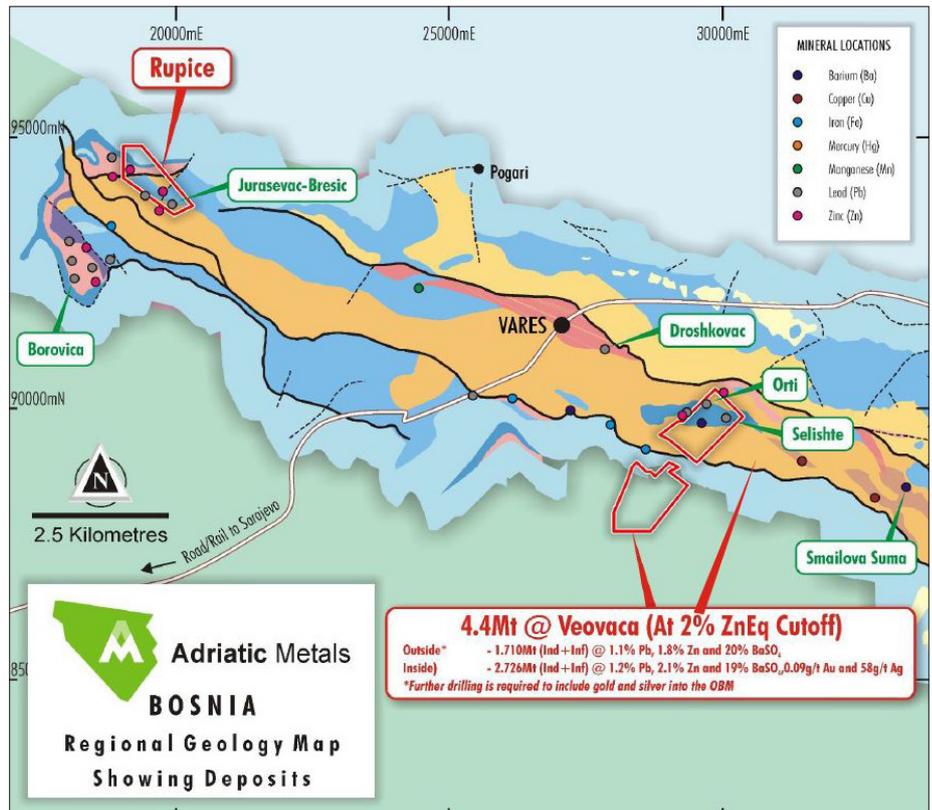
Figure 11: Exploration targets

Deposit	Estimated exploration tonnage potential (kt)	Pb (%)	Zn (%)	BaSO ₄ (%)	Work completed to support the conceptual exploration potential
Orti	360-440	1.2-1.4	1.7-2.1	21-26	19 diamond drillholes over an area of 500m x 150m
Siroki-Radakovac	3,600-4,400	1.4-1.8	1.4-1.8		Possibly 5 diamond drillholes, numerous outcrops of lead-zinc mineralisation, and geochemistry, geophysics and mapping of host rock over an area of 1,000m x 750m
Ceo-Sutjeska	1,530-1,870	1.4-1.8	1.4-1.8		
Kraljeva Jama	2,610-3,190	1.1-1.4	1.5-1.9		
Zakrusje	387-473	1.2-1.4	1.6-1.9		
Jurasevac-Bretic	900-1,100	0.8-1.0	4.1-5.1		Underground workings over an area of 400m x 280m and 5 diamond drillholes
Seliste	1,170-1,440	2.7-3.3	0.2-0.4		At least one diamond hole, and mapping of the host rock over a distance of 400m x 300m
Suma	4,950-6,050	1.1-1.3	1.4-1.8		Numerous outcrops of lead-zinc mineralisation, and geochemistry, geophysics and mapping of host rocks over an area of 1,000m x 2,000m
Total	16,260-19,873	1.4-1.7	1.6-2.0		

Note: Rounded to reflect uncertainty. Source: After Cicic, 1990.

Based on our understanding, limited, non-ground disturbing exploration activities can be conducted outside ADT's concession areas when approvals from state authority / private land owners have been granted.

Figure 12: Regional prospects



Source: Company reports

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 Post IPO, ~60% of funds raised are expected to be directed to drilling and evaluation activities at Rupice.
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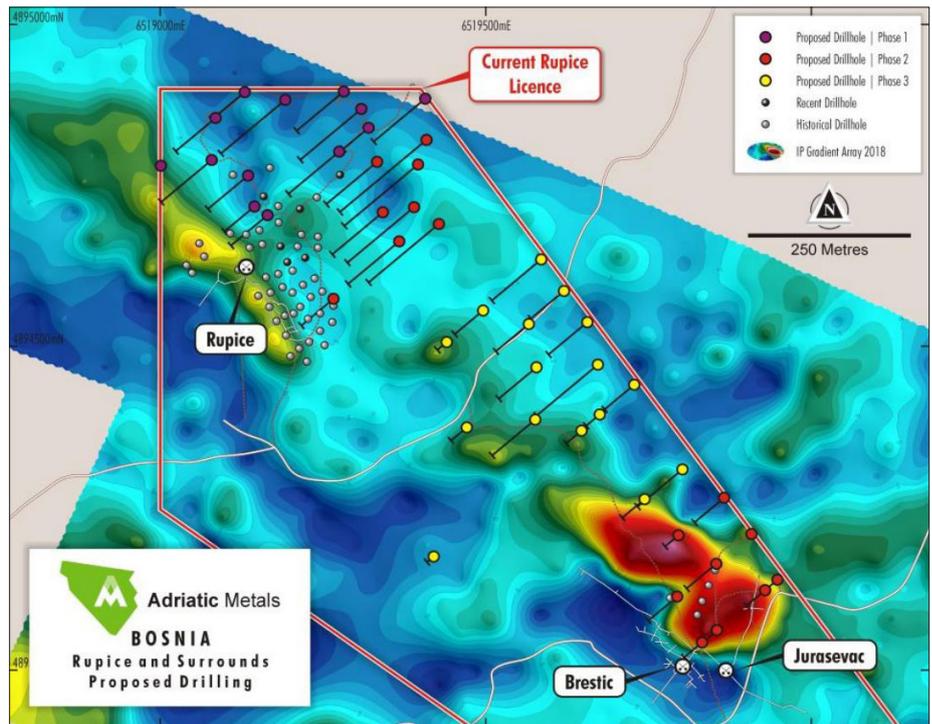
Upcoming exploration program

Post IPO, ~60% of funds raised are expected to be directed to drilling and evaluation activities at Rupice. The company has commenced the first phase of a 15,000m diamond core drill program, initially comprising:

- ~3,500m – Rupice north zone, testing down dip and down plunge extensions of previously identified high grade mineralisation
- ~4,000m – Testing targets near the historical Brestic-Jurasevac (JB) underground workings
- ~3,000m – Targeting ~400m strike length in the corridor between Rupice and Jurasevac where several chargeable anomalies and zinc/lead soil anomalies occur

In addition to this and subject to results, in-fill drilling is likely to be included to increase geological understanding and confidence. This could, for instance, lead to the declaration of a maiden Resource at Rupice.

Figure 13: Rupice drilling program



Source: Company reports

Infrastructure and logistics

Our site visit highlighted significant infrastructure at and near the project, including:

- Historic processing site (mill removed) and associated administration building
- Hydroelectric power on site. An additional substation is required to support a ~500ktpa mining and milling operation
- Sealed roads from the capital Sarajevo (~50km)
- Rail connection from the town of Vareš to Port of Ploče in Croatia
- Town of Vareš, population ~10k, which was a historic mining / steel hub comprising iron ore / limestone mining and steel blast furnaces

Figure 14: Existing Rail, with historic steel blast furnaces in the background (top left), Sealed road to site (top right), historic processing facility site (bottom left), office and power access (bottom right)



Source: Canaccord Genuity

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Given the current inventory and existing infrastructure on site, the Veovaca and Rupice projects could underpin a production scenario as early as 2019/2020.

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Veovaca and Rupice Study

ADT is commencing the long lead items for an initial technical study (Scoping Study) on the projects. This work is likely to incorporate:

- Further drilling and assaying of precious metals
- Maiden Resource from Rupice and collection of a representative metallurgical sample
- Mining optimisation studies
- Metallurgical work / processing flow sheet designs for a mixed feed from several deposits
- Ground water studies
- Geotechnical drilling and studies
- Environmental impact studies
- Concentrate logistics studies
- Infrastructure studies (TSF, Lidar survey, power, water, etc)

Potential development / production scenario

Given the current inventory and existing infrastructure on site, the Veovaca and Rupice projects could underpin a production scenario as early as 2019/2020. The Veovaca and Rupice deposits complements each other – while Veovaca would provide the base load open pit tonnage, Rupice would supply higher grade feed in smaller quantities. We envisage ore from Veovaca to be mined via conventional open pit methods while Rupice could be an underground operation. Based on our initial assessment, the deposits could deliver ~500ktpa ore to the mill.

Any existing environmental liability (e.g. historic tailings dam) is understood to be the responsibility of the government.

Flow sheet

Historically, the Veovaca open pit and associated milling operation initially produced a Zn/Pb bulk concentrate. Subsequently and following modification of the processing circuit, the operation produced split Zn, Pb and Barite concentrates, which were sold to European customers. Historical processing utilised off-the-shelf grinding and flotation circuits to separate the metals and achieved recoveries of up to 92% Zn and up to 85% Pb. Concentrate grades were approximate 50% Zn, 50% Pb and 92% BaSO₄. Historically, the concentrates were saleable to smelters with acceptable amount of deleterious elements. We anticipate optimised and improved processing circuits to deliver superior metallurgical performance compared to historic results.

Improvement upon historic milling circuit could include:

- Additional finer regrind circuit now commonly use amongst base metal producers
- High intensity flotation cells e.g. Jameson Cells
- Additional flotation reagents used to optimise recovery and potentially suppress deleterious elements

Product marketing and payability

We envisage the split zinc and lead concentrate to be marketed to European smelters or traders, with potential customers shown on Figure 15. Given the historic sales and well-developed infrastructure within Europe we consider this the most likely scenario. The estimated payability of the concentrate is subject to metallurgical work and determined by factors including concentrate grade and penalty elements. We note the tightening zinc concentrate market which is reflected in a reducing TC/RC rates in recent years.

Figure 15: Product development blueprint



Source: Canaccord Genuity

Barite

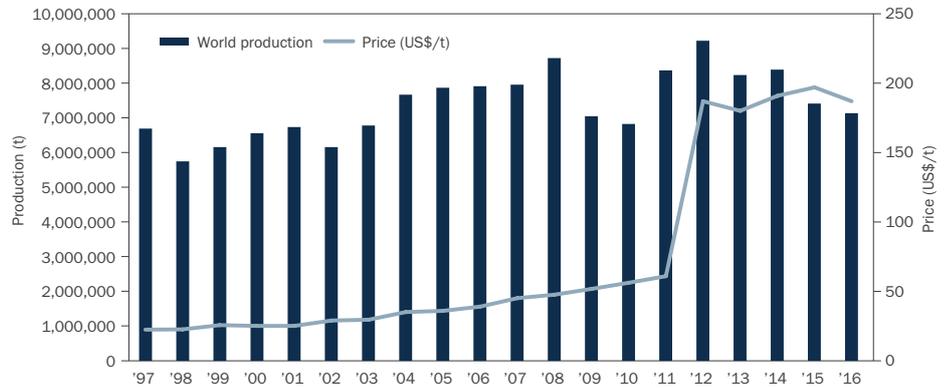
Barite is the naturally occurring, non-toxic mineral of barium sulphate. It is primarily used as a weighing agent in oil and gas exploration, as well as a filler substance for paint and other industrial chemical applications. Very high purity barite attracts a premium and can be used in pharmaceutical, automotive and smelting industries. Barite was included in the US 2015 national strategic and critical minerals bill and in 2017 added to the European Union Critical Raw Materials Register.

We believe the potential for producing commercial high grade barite concentrate is high, given the high grades at Vares, historic production (sold to US oil industry) and demonstrated processing route. We anticipated this product to become a valuable co-product. Indicative pricing for high quality, drilling fluid grade is ~US\$200/t. Higher density (4.2 SG) is understood to attract a premium of ~15-20%.

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”

Figure 16: Barite, world production and pricing



Source: USGS

Permitting

ADT’s Bosnia subsidiary, Eastern Mining holds a 100% economic in the Vares Project, comprising the Veovaca and Rupice tenements, which are covered by a 25-year concession (CA number 04-18-21389-1/13) granted in March 2013. The concession allows a 5-year period for exploration, extendable for another 2.5 years before transitioning into an exploitation phase. The governing agency for the concession is the Ministry of Economy of the Zenica-Doboj Canton. It is understood that the current concession covers base metals only (i.e. Zinc, Lead and Barite), although historically this was not an issue with Energoinvest receiving precious metals by-products in concentrate sales. We anticipate ADT to amend the current concession to incorporate precious metals in due course.

“ We consider the potential for further discoveries as high, given the geological setting (within a well-endowed base metal metalorganic belt), widespread anomaly, small scale historic exploitation and the lack of systematic modern exploration.

Veovaca is covered by both exploration and exploitation rights and does not require an exploration phase due to historic production by Energoinvest. The exploration period expires in September 2020.

Rupice is covered by an exploration permit which expires in May 2020. Conversion into an exploitation concession is subject to having a Resource Statement, Feasibility Study, Environmental Study and production plans. The governing agency for the exploration and exploitation license is the Ministry of Mining and Energy of the Zenica-Doboj Canton.

The Municipality of Vareš (local municipality) is not directly involved in the processes but is required to provide consent / opinion.

Existing mining and quarrying operations in the region including coal mining (open pit) and limestone quarrying. In Bosnia, Mineco (private UK company) operates the Gross Mine (main product lead and zinc) near Srebrenica. The underground mine delivers ~330ktpa ore to surface and employs ~527 employees as at early 2017.

” We consider the potential for further discoveries as high, given the geological setting (within a well-endowed base metal metalorganic belt), widespread anomaly, small scale historic exploitation and the lack of systematic modern exploration.

First mover advantage

The current legislation grants Adriatic first rights for any extension of the Concession within a 5km radius and no other permits have been issued within this zone. Numerous prospects, including old adit / workings exist within this zone, and we anticipate the company to selectively target additional areas through systematic modern exploration including geophysics (gravity and IP surveys) and geochemical programs. While EM surveys does not appear effective, IP surveys appears to be correspond well to mineral occurrences and has good potential as a geophysical targeting tool.

Appendix 1: Investment risks

Key investments risks for Adriatic include (but are not limited to) the following:

Financial risks

As pre-production companies with no material income, Adriatic are reliant on equity and/ or debt markets to fund on-going exploration and development of its assets, and we note the recent strong metal prices which should translate to elevated market interest in base metal companies. Estimates on pre-production and working capital requirements for Vares can be established following a Scoping Study. Further, we can make no assurances that accessing equity/debt markets can be done without further dilution to shareholders.

Exploration risks

Exploration is subject to a number of risks and can require a high rate of capital expenditure. Risks can also be associated with exploration techniques and lack of accuracy in the interpretation of geochemical, geophysical, drilling and other data. No assurance can be given that exploration will further delineate Resources or mineable Reserves.

Operating risks

If and when in production, Adriatic will be subject to risks such as plant/equipment breakdowns, metallurgical, materials handling and other technical issues. An increase in operating costs could reduce the profitability and free cash generation from the operating assets considerably and negatively impact valuation. Further, the actual characteristics of an ore deposit may differ significantly from initial interpretations which can also materially impact forecast production from original expectations. Given the historical production from Veovaca, we view production risks are lowered compared to greenfields projects. Further metallurgical work is required to establish the marketability and payability of concentrates. It is understood that historically the concentrates were marketable to European smelters, and contained deleterious elements which impacted on the payability.

Low density dwellings exist near Veovaca (understood to be prior to historic mining operation) which could somewhat impact mining activities (e.g. no blasting at night).

Sovereign Risk

We note that Adriatic operate in Bosnia and Herzegovina, a country with a largely decentralised, ethnic based government system comprising three autonomous entities. This ethnically fragmented, multi-layered government is perceived to affect efficiency at all levels. The UK government believes that the complex government, combined with underdeveloped institutions, low capacity of the civil service, and a weak judiciary translate to more challenging environment for foreign businesses. While this can be generally perceived as a barrier to entry, we note Adriatic's demonstrated ability to navigate the regulatory system (e.g. permitting extensions) and municipal government support witnessed during our site visit. This could enable to company to capitalise on its first mover advantage and consolidate the region.

The country is a candidate for membership to the European Union and has been a candidate for North Atlantic Treaty Organisation since 2010. The next general elections both at the central level and at the level of the two entities are due in October 2018, while municipal elections will be held in October 2020. The post-election period will be crucial for implementation of reforms and progress on the EU-Atlantic journey.

Regulatory Risk

Presently, there is a general lack of presence of foreign owned mining operations in country, impacting market knowledge of the country and visibility on the permitting process. Mineco's (private UK company) operating Gross Mine (lead and zinc) provide some visibility, although we note it falls under the jurisdiction of Republika Srpska (as opposed to Federation of Bosnia and Herzegovina who governs Vares).

Commodity price and currency fluctuation

As prospective base / precious metal concentrate producers, Adriatic is exposed to commodity price and currency fluctuations, often driven by macro-economic forces including inflationary pressure, interest rates and supply and demand of commodities. These factors are external and could reduce the profitability, costing and prospective outlook for the business.

Appendix 2: Important disclosures

Analyst Certification

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