

Another key permit

ADT1 LN / ADT AU

8th February 2021

Market Capitalisation: US\$359m

Enterprise Value: US\$319m

Last price: 123p

Target Price: 248p

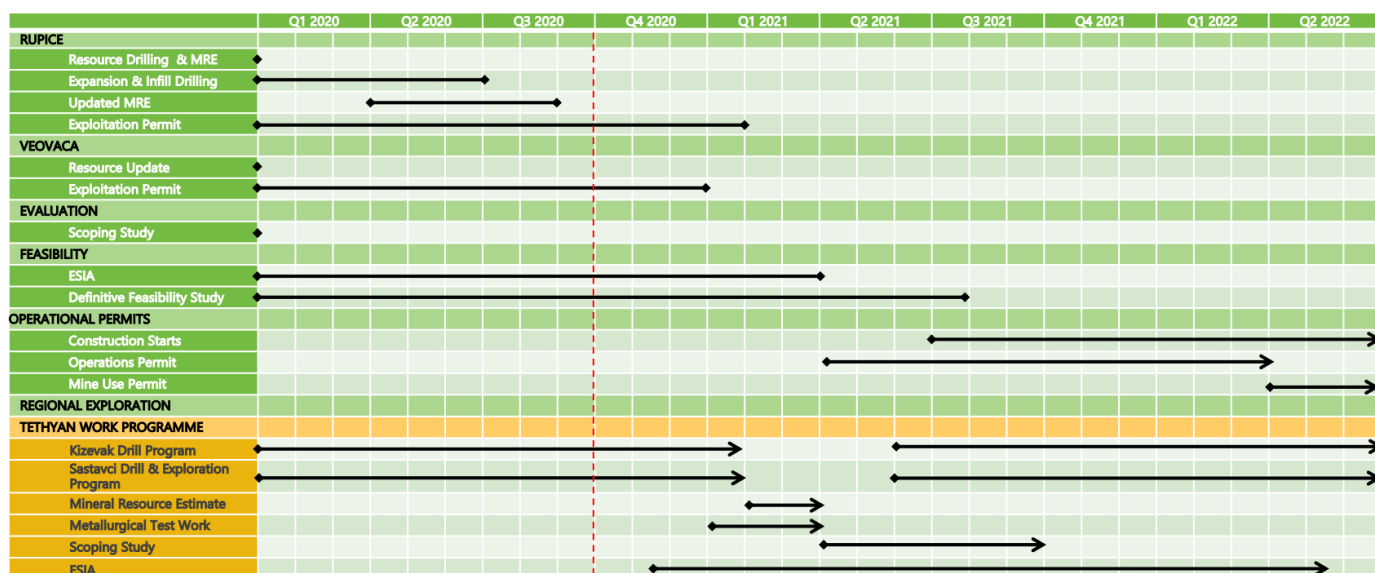
Another milestone achieved at Vares

At the end of January Adriatic Metals PLC received the Exploitation Permit for its smaller mine Veovaca as per planned. The company has now reported that the Federal Ministry of Environment and Tourism ("Ministry") has issued a positive Record of Decision ("RoD") to Adriatic's subsidiary, Eastern Mining d.o.o., for the Rupice Environmental Permit, one of the key approvals required for the issue of the Exploitation Permit.

The Environmental Permit is required to be issued within 30 days from the date of the RoD, at which point Adriatic will submit an application for an Urban Planning Permit to the Federal Ministry for Spatial Planning. Following the receipt of the Urban Planning Permit, Adriatic will apply for an Exploitation Permit, in a process similar to what was recently completed for Veovaca.

So basically the company remains on track to start construction in Q3 2021 at Vares with first ore due at the end of 2022. One of the reasons we continue to comment on these permits is that for most mining projects the market would be ascribing a much higher multiple to NPV at this stage; maybe 0.7x vs the current P/NPV of 0.3x. We also note that because of the high-grade nature of the polymetallic mines at Vares the ramp up is swift and cashflow comes quickly. We are estimating the company will produce \$283m EBITDA in 2023. We keep our PT of 248p.

Figure 1 – Corporate Schedule



Source: Company

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